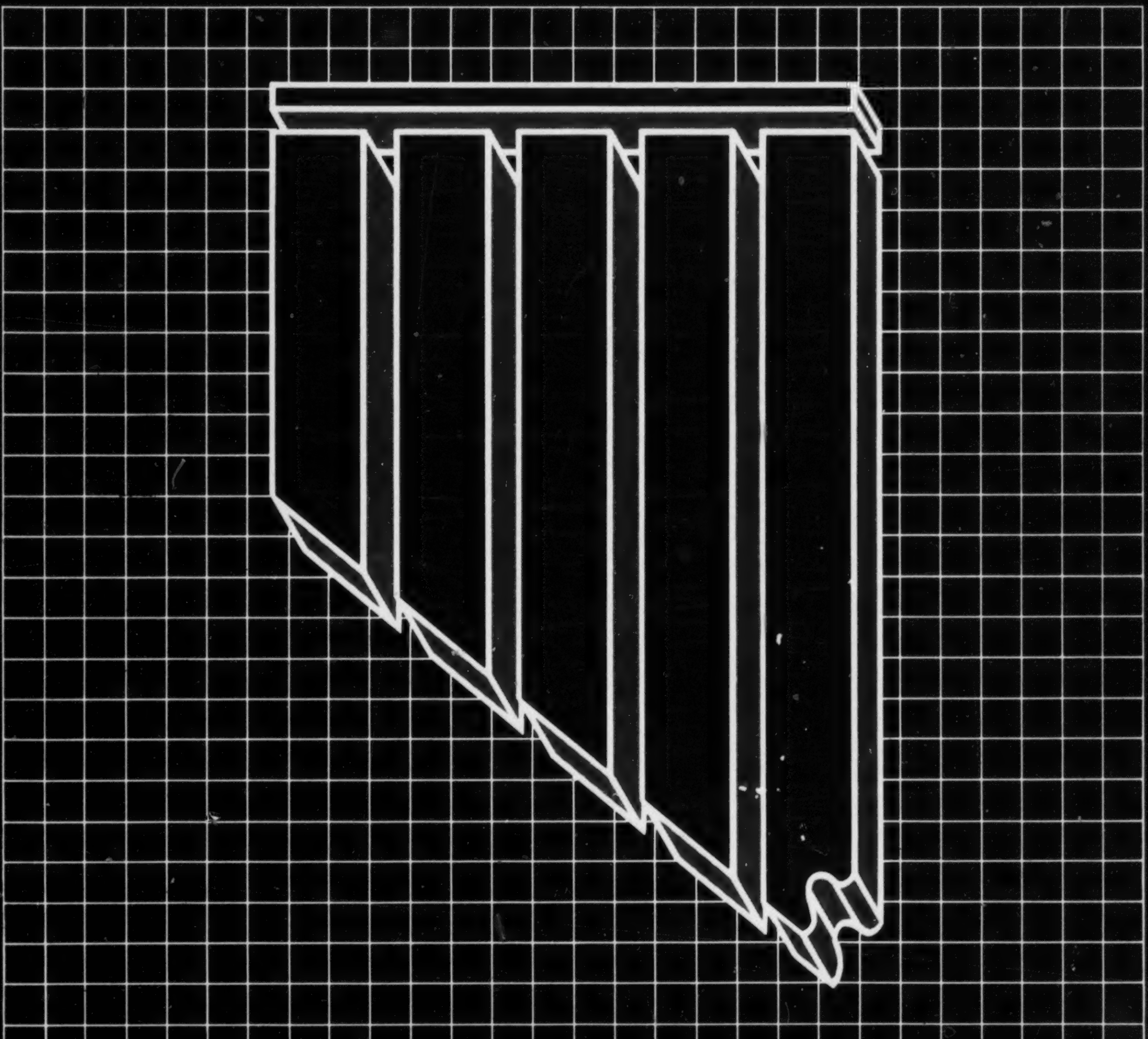
U7929-1
11/30/88

Winter 1987/1988 Volume XII, No. 1

Nevada Review of BUSINESS & ECONOMICS

Bureau of Business & Economic Research • College of Business Administration • University of Nevada-Reno



Nevada Review of
BUSINESS & ECONOMICS

University of Nevada-Reno
Joseph N. Crowley, *President*

**College of Business
Administration**
Henry Amato, *Dean*

**Bureau of Business and
Economic Research**
David R. Seymour, *Director*
Thomas F. Cargill, *Editor*
Martin Kyte, *Operations Manager*

Research Staff:
Dottie Clevenger
Philip Cooney
Sarah Fry
Anne Genseal

*Nevada Review of
Business and Economics*
A Quarterly Publication
(ISSN 0148-5881)

Copyright 1986 by
Bureau of Business and
Economic Research
University of Nevada-Reno

POSTMASTER

Please send Form 3759 to:

Bureau of Business and
Economic Research
University of Nevada-Reno
Reno, NV 89557-0016

Phone: (702) 784-6877

Second Class Postage
Paid at Reno, NV

Editorial Advisory Board

Glen Atkinson, Professor of Economics, University of Nevada-Reno, Reno, NV.
William Bible, Director, State of Nevada, Department of Administration, Carson City, NV.
Ted Cummings, Assistant Dean, College of Business and Economics, University of Nevada-Las Vegas, Las Vegas, NV.
William R. Eadington, Professor of Economics, University of Nevada-Reno, Reno, NV.
Kyung-Il (Ed) Ghymn, Professor of Managerial Sciences, University of Nevada-Reno, Reno, NV.
Andrew Grose, Executive Director, State of Nevada, Commission on Economic Development, Carson City, NV.
William S. Hallagan, Associate Professor of Economics, Washington State University, Pullman, WA.
James Hanna, State of Nevada, Employment Security Research, Carson City, NV.
Thomas Harris, Associate Professor of Agricultural Economics, University of Nevada-Reno, Reno, NV.
Gary Horton, Financial Economist, Nevada National Bank, Reno, NV.
Michael C. Keeley, Senior Economist, Federal Reserve Bank of San Francisco, San Francisco, CA.
Lee R. McPheters, Director, Bureau of Business and Economic Research, Arizona State University, Tempe, AZ.
Robert A. Meyer, Jr., Associate Dean, School of Business Administration, University of California, Berkeley, CA.
Ted Mitchell, Associate Professor of Marketing, University of Nevada-Reno, Reno, NV.
Harold C. Nathan, Senior Financial Economist, Wells Fargo Bank, N.A., San Francisco, CA.
Kambiz Raffiee, Assistant Professor of Economics, University of Nevada-Reno, Reno, NV.
R. Keith Schwer, Director, Center for Business and Economic Research, University of Nevada-Las Vegas, Las Vegas, NV.
John M. Strefeler, Associate Professor of Accounting and Information Systems, University of Nevada-Reno, Reno, NV.
Gary Walton, Dean, Graduate School of Administration, University of California, Davis, CA.
Robert C. Weems, Dean Emeritus, College of Business Administration, University of Nevada-Reno, Reno, NV.
Sam E. White, Associate Dean of Undergraduate Programs and Associate Professor of Business Administration, Portland State University, Portland, OR.
Richard E. Wilson, Associate Professor of Economics, University of Nevada-Reno, Reno, NV.

CONTENTS

Preface 3
by William R. Eadington

The Changing Face of Commercial Gambling in America in the 1980s 5
by William R. Eadington

A Risky Business: Political Control of Australian Casinos 12
by Jan McMillen

Betting Shops and the Law 25
by Christopher R. Hill

Legalizing Gambling as a Weapon to Combat Illegal Gambling in the Netherlands 31
by Bernard Polders

The Dutch Gamble: A Strategy for the Expansion of Legalized Casino Gambling in the Netherlands 34
by William N. Thompson

Comparison of German and Austrian Casinos and Slot Machine Operations 43
by Joseph Kelly

Editor's Note

This is a special issue of the *Nevada Review of Business and Economics*. The papers in this issue were selected by the editor and William R. Eadington from those presented at the Seventh International Conference on Gambling and Risk Taking held in August 1987 in Reno, Nevada. It seems appropriate for the *Review* to publish an issue based on the conference for two reasons. First, the *Review* has in the past published in its regular issues a number of papers specifically dealing with the gaming industry and second, the Bureau of Business and Economic Research was one of several co-sponsors of the 1987 conference.

There were many excellent papers presented at the 1987 conference. The papers selected for this issue were chosen for their international perspective of the gaming industry. In addition, William R. Eadington has provided a preface and overview contribution and was responsible for organizing the 1987 conference. The editor expresses appreciation for his help in preparing this issue of the Review.

Preface

by *William R. Eadington*[*]

There are few industries in the world that have experienced as much real growth and expansion in the decades of the 1970s and 1980s as the commercial gambling, or "gaming" industries. Much of the expansion has been triggered by the increased acceptance and continuing popularity of various types of commercial gambling in different parts of the world, ranging from elegant casinos to government run lotteries, from betting shops and off-track betting to slot machines, bingo parlors and arcade video gaming devices. In many, if not most, of the countries of the Western world, commercial gambling is far more prevalent and visible than it was a generation ago.

The growing demand for gambling activities has also been met by an increasingly sophisticated and complex body of legislation and regulation whose main purposes have been to restrict, control, or otherwise direct commercial gambling's expansionary tendencies. The variety of regulatory approaches undertaken by different countries, and by different states and provinces, provides an intriguing illustration of the various economic objectives, social concerns, and range of political philosophies that have accompanied the spread of commercial gambling.

This collection of articles derive from papers that were originally presented at the Seventh International Conference on Gambling and Risk Taking, held in Reno, Nev. in August 1987. The entire conference proceedings, composed of more than 130 papers, were published in five volumes through the University of Nevada-Reno under the title, *Gambling Research: Proceedings of the Seventh International Conference on Gambling and Risk Taking.*

The conference was co-sponsored by the Bureau of Business and Economic Research of the University of Nevada-Reno, the Society for the Study of Gambling in London, the National Association for Gambling Studies in Sydney, and *Gaming and Wagering Business Magazine* in New York. It attracted about 350 researchers, industry representatives, regulators, financial analysts, professionals, gamblers, and other interested parties from throughout the world. Altogether, more than a dozen countries were represented among the conference delegates.

The four-day Conference on Gambling and Risk Taking was composed of nearly sixty sessions covering a wide variety of topics. Among the diverse subjects discussed were the mathematical analysis of various gambling and wagering situations, analysis of new casino gambling games, the role of marketing and management in commercial gaming industries, gambling in Third World countries, the evaluation of treatment programs for problem and pathological gamblers, and the spread of various types of gambling into new political jurisdictions in the United States and abroad.

The conference by its very nature was eclectic. Its intent was to pull together professionals and other individuals with expertise in various facets of social, commercial and illegal gambling, and to encourage them to present their research findings and opinions before others who also possessed extensive knowledge and understanding of some aspects of the gambling phenomenon. In this way, the conference was markedly different from many of the other national and international conferences that have dealt with commercial gaming industries in recent years.

The set of articles included in this issue of the *Review* concentrates on economic and regulatory changes that have taken place in a number of countries over the past few years. The specific articles draw upon the experience of commercial gaming and regulation in Australia, the United Kingdom, Holland, Germany and Austria. From the perspective of Nevada, it is important to follow changes in such diverse countries for a variety of reasons.

First, Nevada still supports the largest and most capitalistic gaming industry in the world with its extensive casino industries in Las Vegas, Reno, Lake Tahoe and other communities throughout the state. Nevada has much knowledge to offer to other jurisdictions in terms of gaming operations experience, the effectiveness of regulatory controls, and insights into the social implications of widespread gambling. This is especially true for those jurisdictions which are considering casino-style or slot machine-based commercial gaming activities. For example, among the talents Nevada's gaming industry can offer are expertise in management and marketing techniques, internal accounting controls and security systems, and convention and tourism development strategies.

A second reason why tracking international trends is important for Nevada is that, as commercial gambling spreads into new jurisdictions, it is bound to have some influence on the growth and future evolution of Nevada's gaming and tourism industry. A better understanding of trends toward the legalization, regulation and expansion of commercial gambling can only help Nevada's gaming industry representatives and elected officials better understand the challenges that the future holds for them.

---

[*] William R. Eadington is a Professor of Economics at the University of Nevada-Reno.

For further information regarding

Gambling Research: Proceedings of the Seventh International Conference on Gambling and Risk Taking,

please see the inside back cover.

The Changing Face of Commercial Gambling in America in the 1980s

*by William R. Eadington**

Introduction

One of the most important growth industries in the United States during the 1970s and 1980s has been commercial gambling, or "gaming." Growth of the gaming industries in America have taken many forms: the expansion of casino gaming in Nevada and the legalization of casinos in Atlantic City; the proliferation of lotteries to about half of the states in the United States; the spread of pari-mutuel wagering on horse races and dog races; the appearance of off-track betting on horse racing in New York and a handful of other states; and the emergence of Indian gambling, usually in the form of commercial bingo on Indian reservations. In all these ways, and others, the commercial gaming industries have become a distinct and varied presence in the everyday lives of many Americans.

However, this expansion of commercial gambling has not been limited to the United States. Numerous countries have seen legalization or liberalization of various types of gambling in the 1970s and 1980s. New casino industries have emerged in Australia, Spain, Holland and Turkey, charitable gambling casinos are present in provinces in Western Canada, and slot machines have been legalized in France, Germany, and on American military bases abroad. In all these jurisdictions, the same types of issues keep coming up: how can legal gaming operations be managed and regulated in such a manner as to protect the honesty of the games and the integrity of the revenues generated, to make significant contributions to government coffers through taxation, and to protect society from possible negative side-effects, such as political corruption, organized crime, and compulsive gambling, that historically have accompanied legal gaming.

Professionals working within a specific aspect of gambling tend to develop an image of the effect gambling has on individuals, on their families and on the society around them. Those who work in research, social services, or regulatory areas that are policy oriented also tend to ask the question, time and again: If there are problems connected with what is seen, what can be done to mitigate the problems?

It might be useful to conjure up the concept of a collective consciousness among all the professional researchers, industry representatives, regulators and gamblers who deal with gambling. This consciousness would consist of an agglomeration of all the images of gambling that have been individually constructed through experience, education and self-interested perspectives; in its entirety, it would present a most interesting collage. Some of the images would reflect the pleasures that are derived by the player as he or she experiences the thrill of anticipation, the excitement of placing wagers and the challenge of trying to select the correct outcomes to the contests at the root of the gamble. On the other hand, other images would outline the pattern of desperation that overindulgence in gambling has created for individuals who have become clearly over-extended, with no idea of how to get out from under. Still other images would portray the families of problem gamblers, trying to figure out how to cope with what on the surface appears to be a disease, but a totally invisible one.

If we were to look elsewhere into this collective consciousness, we would see the perceptions of casino dealers, horse race personnel or slot machine manufacturing workers who are well served by the incomes and job opportunities that the gaming industries provide. We would see casino managers evaluating alternative strategies in the fields of personnel relations, marketing, finance and accounting, trying to improve performance, both for their own self-interest and for the benefit of all involved in their companies. We would see stockholders and owners of such companies enjoying the fruits of economic success or apprehensive about difficulties on the horizon, and trying to plan on future income streams from their equity positions for their own later economic security.

But we might also stumble upon the knowledge of the casino dealer who had seen players gamble far more than they could apparently afford, or of the casino manager who knows that this particular customer will be financially ruined by gambling losses within a year. Carried further, we might also see the loan shark, with underworld connections, who systematically victimizes those so foolish as to contract for credit with him at usurious rates.

We might also see in this collective consciousness the perceptions of government officials who note that tax revenues which gaming operations generate are an important alternative to more orthodox revenue sources, such as those based on new taxes or tax increases. He might, in passing, note the growing dependence of his level of government on the continuing flow of gambling-related revenues into government coffers, and that this has become an indispensible revenue source, given the continuing pressure of public-sector demands and the lack of alternative revenue sources available. On the other hand, he might be slightly aware that increases in gaming expenditures by players redirect spending from other sectors of the economy which might generate tax revenues through value-added or sales taxes, so that at least a portion of the gains are just ephemeral.

---

* William R. Eadington is a Professor of Economics at the University of Nevada-Reno.

Finally, in all the corners of this collective consciousness, we might note apprehension, perhaps even paranoia, that intellectual, legal or policy changes which might address what one person or one group sees as a problem will adversely affect the interests of other groups. These may include gamblers who come up with effective systems or schemes to beat the house; government officials who want to push through increased levies on commercial gaming revenues; social workers who want to bring about changes in gambling laws as protection for problem gamblers and their families; or industry officials who want to see the removal of constraints that limit their ability to increase sales. While in pursuit of their specific interests all of these groups threaten, and in turn are threatened by, the promotion of conflicting interests by other groups.

As this collective consciousness is scrutinized, what is most striking are the contrasts, images that are strongly positive side by side with those that are repulsive. Gambling has the ability to create all these realities--comforting for those who benefit, discomforting for those who suffer. To the disinterested observer, to the "idealized academic," what emerges is the challenge of coming up with strategies for enhancing the benefits while mitigating the costs, and of sorting out the varying interests as they might be affected by changes in public policy.

More subtly present is the concern for how much direction should be given to the activity and industry through public policy. For example, would a laissez-faire approach toward commercial gambling result in net increases in benefits to society that would outweigh the costs that would arise? Alternatively, can the legal and regulatory system be "fine tuned" so that the social costs associated with gambling are isolated and dealt with appropriately, or would strict prohibitions or significant constraints on commercial gambling work toward a better aggregate result for the affected society?

Commercial gambling, as it has expanded over the past two decades in America and elsewhere throughout the world, has posed many challenges to all the participants of the collective consciousness experiment. Clearly, trends have led to an increasing presence of gambling in society, an increased legitimization of commercial gaming industries, and a spreading popularity of commercial gambling in an ever-evolving hybrid of forms. Though the direction is clear, there would be pointed disagreement on whether such trends are good or bad for society at large, or whether even such an expression of sentiment is relevant in the public debate. However, since gambling is still prohibited in far more jurisdictions than it is allowed in (and where it *is* allowed it is usually commercially restrained for a wide variety of reasons), the debates posed by the conflicting interests will repeat themselves time and again.

In this environment of significant differences of interests and opinions, a statement can be made as to the relevance of gambling-related research. First, it is critically important that credible information about the actual effects of gambling be established. Too often, policy makers must respond in a vacuum where nothing but anecdotal information exists, or where the only available statistics are self-serving and clearly lacking in credibility. This is particularly true with respect to the critical issue of the prevalence of pathological gambling, both where commercial gambling is present and where it is not. Second, the influence of policy alternatives on social behavior must be realistically estimated. Gambling problems would not disappear if gambling industries were forced out of legal existence; in the same fashion, masses of the population would not be destroyed if gambling opportunities existed openly in every community. In either extreme, we could gauge the *direction* of change on each of a number of important social and economic indicators, but based on what is now known we would be unable to measure the *extent* of change, which is, ultimately, the important consideration.

Conceptualizing the Social Effects of Gambling

Because the gambling experience of so many observers and researchers is narrowly focused on specific professional or personal areas, it is quite difficult to establish a broad foundation for analyzing gambling's social costs and benefits. One approach to understanding the problem is to compare gambling with another commercial product, alcohol. There are many parallels that can be drawn between legalized commercial gambling as an activity, and alcohol consumption and production. It is widely agreed that alcohol consumption, especially in excess, is a major cause of worker absenteeism, of fatal and injury accidents on the highways, at the workplace and in the home, and of shortened life spans due to alcohol-related diseases. Yet its presence in most societies is pervasive, and in spite of all its apparent costs, society tolerates it with only a modicum of regulatory constraint on individual choice. Furthermore, the United State's experiment with Prohibition in the 1920s pointed out the futility and cost of trying to legislate a problem out of existence when there is a strong consumer demand for the commodity. Also, as with gambling, there have been various opportunities over the years in the liquor industry for entrepreneurs to expand their markets, for social workers to try to mitigate the plight of those damaged by alcohol, and for policy makers to try to "make things better" through refinements in laws and regulations. As with gambling, there are conflicting economic and social interests, especially in those areas where potential changes in statutes or regulations could have significant impacts on some of the interested parties. Also, as with gambling, not the least important economic interest is the government, which over time might have become highly dependent on liquor-related taxes and levies.

Another parallel can be made between gambling and currently illegal drugs, such as cocaine, marijuana and heroin. Though seldom raised to legal or tolerated status in jurisdictions, such drugs have a broad-based following in many modern societies. The extent of illegal drug markets reflects the high level of individual satisfaction that consumers derive from drug use, at least in the short run; yet, there is no question that long-term consequences of drug use create severe hardship and loss for users and those associated with them, as well as for society at large. One might argue that since most societies still prohibit and penalize drug use and drug dealing (and indeed view drug dealing as a most heinous crime), they have therefore collectively decided that the social costs exceed any benefits that legal drug use might generate. However, one would not have to go back too far to find a situation where commercial gambling shared much the same illegal and condemnatory status, on the belief that the social damage it could do in terms of destroyed financial status, compromising indebtedness, ownership disruption, political corruption and family suffering significantly exceeded the pleasures to be derived by those who chose to participate in legal gambling activities.

This analysis therefore examines some of the recent trends concerning gambling in America from a number of perspectives, and tries to interpret them in light of their implications of a changing social consciousness and changing social conscience regarding gambling. It looks closely at a number of major trends in the legal commercial gaming industries in America and presents them in a manner useful for those concerned about relevant public policy.

The decade of the 1980s has brought with it a number of significant changes to the commercial gambling industries in the United States. Some of these changes have been continuations of previous trends, such as the relatively steady growth of the casino industry in Nevada and the maturing of the casino market in Atlantic City, the decline of pari-mutuel horse racing and betting in many parts of the United States, and the spread of lotteries into new states throughout the country. Other changes have been more subtle, though probably no less important, and it is on these that this analysis concentrates. Among the most important of these changes are:

1) the increasing legitimacy of commercial gambling industries as both private sector and public sector operations throughout the United States;

2) the broadening participation of members of the general public in commercial gambling, especially in lotteries and destination resort casino operations;

3) the decline of the relative importance of table game revenues in comparison to slot machine revenues in casinos;

4) the growing popularity of long-odds wagers with extremely large jackpot pay-outs in lotteries, exotic horse race betting, and casino gaming;

5) the expansion of hybrids of legal gaming in various jurisdictions under previously nonexistent structures, such as Indian gaming, low limit blackjack, and charitable casinos; and

6) the evolution of case law dealing with the pathological gambler, and pathological gambling as a defense for criminal actions.

Commercial Gaming Legitimization

Since the mid-1960s, the commercial gaming industry in the United States, along with regulatory and governmental bodies that oversee it, have pursued directions which have generally improved the image of gaming to outside observers. This has been particularly true with casino gaming, probably the most visible and controversial form of commercial gaming.

With the advent of legal casino gaming in Atlantic City in 1978, and the spread of destination resort casinos to a number of countries throughout the world over the last two decades, more sophisticated and rational management and marketing processes in casinos and destination resorts with casinos have evolved and have enhanced both the image and efficiency of casinos and other gaming operations world-wide. To fully appreciate this, we must note the low esteem in which casino gaming and the state of Nevada were held in the early 1960s and before.[1]

As early as the Kefauver congressional hearings on organized crime in 1951, the casino industry in Nevada was cast, with good reason, as a haven for mobsters, shylocks and ne'er-do-wells from throughout the country and from abroad. Organized crime figures were closely identified with certain casino operations, and major incidents of profit skimming by gaming operators, gangland violence and corruption of public officials by gaming industry interests were all perceived as part of the unsavory package Nevada had bought when it allowed casinos into its legal commerce. The state's efforts at regulation, when they were present, were seen as feeble and ineffective, or corrupted by the same evils that permeated the industry.

In response to the beliefs that the casino industry in Nevada was extensively corrupt and that state officials were either unwilling or unable to cleanse the industry of undesirables, federal authorities tried to intervene in gaming regulation in Nevada a number of times in the 1950s and 1960s. They argued that it was necessary to protect the public's interest either by closing down the gaming industry or by trying to demonstrate that in fact casino operations were no more than fronts for organized crime and presented opportunities for expanding into other socially undesirable activities such as drugs, prostitution, political corruption and pornography.

By the early 1960s, many Nevada officials had become convinced that stronger casino regulation was necessary for a number of reasons, not the least of which was to protect the autonomy of the state from unwanted intervention by federal authorities. The state Gaming Control Board and Gaming Commission were established to address such concerns, and Nevada increasingly realized that its economic interests were closely intertwined with the improving image of casino gaming.

It was not until the late 1960s that general perceptions toward Nevada's gaming industry began to change appreciably. This was partly due to the entrance of Howard Hughes into the Nevada scene as a major purchaser of Las Vegas casinos and casino-hotel complexes. For all his eccentricities, Hughes was acknowledged at the time to be an astute businessman whose reputation was, by Nevada standards, quite clean. Between 1967 and 1970 he acquired a number of casino properties in Las Vegas and Reno, and in so doing, bought out a number of owners with unsavory reputations.[2]

In 1969, the Nevada legislature passed the Corporate Gaming Act, which for the first time allowed publicly traded corporations to own and operate Nevada casinos. In the next few years, the entrance of major corporations into Nevada gaming, such as Hilton, MGM, Ramada, Hyatt, and Holiday Corporation, considerably improved the image of casinos in the state. They also introduced relatively sophisticated management, accounting, and marketing techniques as a new generation of professional managers entered the casino industry with business school training and extensive experience in other industries.[3]

From 1978 to the 1980s, as the Atlantic City gaming industry became the second largest casino center in the world, the degree of scientific management and the further corporatization of the industry continued, but at a much faster pace than before. New Jersey established a much more extensive regulatory structure than Nevada had ever possessed, and in spite of some early licensing controversies, the Atlantic City regulatory agencies were recognized as being far more effective than Nevada's in fulfilling the mandate of keeping the gaming industry clean of organized crime and other undesirable traits and influences.

The overall effect of these trends has been to change the public perception of the casino business from one which is socially threatening because of the people involved in running it, to one which provides entertainment to a wide variety of customers and effectively is not a threat to anyone but the player who cannot control his losses. It is because of this changing perception of casino gambling, along with governmental desires for new revenue sources, that casinos and other forms of commercial gaming have become far more prevalent in the American scene in the 1980s.

Expanding Customer Markets

Though the image of commercial gambling in the United States has been most influenced by the reputation of casino gambling, casinos have not been the greatest source of increase in participation by players or of expansion into new jurisdictions. On both counts, that honor would have to go to lotteries. Over the last twenty-five years, twenty-seven states in the United States have established lotteries, all of them run through government agencies or lottery commissions. The primary justification for legalization has been that individual state governments have needed to raise revenues that could be earmarked for particular pressing needs, such as education or support for the elderly. Furthermore, the general public has often demonstrated a distinct aversion to new taxes or tax increases; state revenues generated by lotteries could be considered a voluntary tax and, as such, easier to sell to the voters.

Lotteries have probably introduced more individuals to gambling in America than any other form of commercial or social gambling. Aggregate lottery sales in the United States in 1987 exceeded $13 billion, and more than two-thirds of the United States population lives in jurisdictions where lotteries are legal.

When modern lotteries first began appearing in the 1960s and early 1970s, they were often viewed as safe forms of "soft" gambling, especially when compared to casinos. This was because they were passive and therefore uninteresting to most potential problem gamblers. Furthermore, they were to be operated by the state rather than by private enterprise, thus making infiltration by organized crime or other undesirable elements less likely, and also keeping the issue of policies related to the social good close to the politically appointed lottery commissions.

In practice, however, the push for greater revenues over the years has encouraged state-operated lotteries to pick up many of the attributes that would have been expected of private-sector commercial gambling. For example, as popularity in existing lottery games waned, new forms of games would be introduced, such as instant lotteries, daily pick-three and pick-four numbers games, and lotto. The maximum prizes offered in many games were pushed upward and the chances of winning simultaneously shortened. Pay-out schedules were experimented with to find those which had broadest player appeal, and could therefore generate greatest sales. Heavy media marketing was undertaken in many jurisdictions, and many advertising campaigns played off seductive themes such as "Someone has to win the lottery; why shouldn't if be you?" Special promotions have been staged to bring together previous winners, mainly to emphasize the point that the typical player could realistically expect to win because all previous winners were just typical players. In some states, experiments with video lottery terminals were undertaken; these ranged from machines which would dispense instant lottery scratch-out tickets to others that would offer the player interactive video games that would result in winning or losing.

Thus, modern lotteries have evolved into a form of gambling which is far less passive than the original lotteries of the 1960s and early 1970s. Furthermore, if past trends continue, it is likely that lotteries could continue to evolve in the direction of electronic casinos. It is also likely that the future evolution of the lottery in America will eventually depend on the spread of video lottery devices and whether or not they are legally classified as lotteries, which are legal, or as slot machines, which by statute usually are not.[4]

Though they are still geographically confined to Nevada and Atlantic City, casinos in America have also been broadening their customer markets. Realizing quite some time ago that the desire to gamble is not the only inducement to attract customers, American casinos have also provided amenities usually associated with first- class destination resorts, such as luxurious accommodations, haute cuisine, high quality entertainment, extensive convention and conference facilities, and other forms of indoor and outdoor recreation. The casino industry in America, and for that matter in many parts of the world, has evolved into a destination resort-based industry. Thus, even though the greatest portion of revenues for American casino corporations still comes from the casino floor, increasing emphasis is being placed on the other activities. As a result, casino-hotel complexes have been expanding their markets by attracting new groups that previously had little interest in casino gaming, but who are attracted by the idea of a destination resort with a wide variety of activities that can be pursued, including gambling.

The Growing Importance of Slot Machines

One of the most pronounced changes in the American casino industry for the last decade has been the rapid growth of gross revenues generated by mechanical and electronic gaming devices, and the relative stagnation of table game revenues. In the mid-1970s it was not uncommon for table games to generate 60 percent of gaming revenues in a typical casino, with machines contributing 40 percent; today the percentages are more or less reversed. Furthermore, in some "grind" or downmarket operations, gaming device revenues can generate upwards of 80 percent of a casino's total win.[5]

The dynamics of the gaming device market are a result of a number of factors. New technologies in electronic and electro-mechanical machines have allowed manufacturers to alter odds and pay-out structures to offer jackpot prizes in the millions of dollars. Linking of multiple machines to single collective jackpots, and even the linking of machines in different casinos through a centralized computer system, have accomplished similar objectives.[6] Multiple-coin machines and higher denomination machines with lower hold percentages (higher player pay-out ratios) have increased the general attractiveness of the chances offered. High quality graphics resolution has made video gaming devices the games of choice for many casino visitors. Popular new games, such as video blackjack, video poker and simulated horse racing and dog racing, have integrated greater elements of player participation, interaction and excitement into many gaming devices. Furthermore, competition among casinos for market share has insured that technological and marketing improvements in gaming devices are quickly introduced to the public. As a result of these changes, the old view that slot machines were only for women and other unsophisticated players has changed and continues to change. In the modern American casino, the serious slot machine player has become a major customer type, worthy of active and aggressive marketing efforts.

In contrast, table games in United States casinos have not fared as well. One reason for this is the unchanging and somewhat ritualistic nature of most casino table games. In light of all the dynamic and electric evolution of gaming devices, the immutability of table games such as craps, blackjack and roulette is probably seen as a drawback by many players, especially new players. Furthermore, table games lack the ability to offer the phenomenally long odds or large pay-outs that characterize many of the newer gaming devices. As a result of the relative stagnation of table game revenues, accompanied by growing labor costs, many modern casinos have altered their mix of table games relative to slot machines and other devices, thus reducing the availability and the visibility of table games.

Giant Jackpots

The popularity of extremely large jackpots has not been confined to gaming devices played in casinos. Giant, long-odds pay-outs can also be found among lottery games and exotic wagers offered at horse race tracks throughout the United States. One possible explanation for the emergence of this phenomenon is the general broadening of the market of participants in gambling games. New gamblers, who may be less committed to the effort required in certain types of gambling than the older, more established clientele, might be too impatient to learn the proper ways of playing some table games, or of learning the science of handicapping and predicting winning horses, dogs, or jai-alai players. Furthermore, they tend to look at the entire activity in a somewhat less serious vein than did the old-timers.

It has been acknowledged many times that gamblers often concentrate on the size of the winning prize and either disregard or misinterpret how unlikely the chances of winning actually are. Large jackpot prizes allow players to fantasize just how their lives could be changed with the big win, and thus they have much appeal for the new and somewhat more casual gambler. The emergence of women as more important customers for casinos, racetracks, and lotteries also contributes to the growing popularity of high pay-off bets and wagers.

The Emergence of Commercial Gambling Hybrids

Though most of the discussion on gambling policy in recent years has centered on questions of the expansion and regulation of traditional commercial gambling, such as casinos, horse race wagering and lotteries, other changes occurring on the periphery are perhaps even more important in the long run. For example, poker parlors have long operated legally on a local option basis in California; typically, such operations have been fairly small, spartan, and appealing only for the regular. However, in recent years a number of large poker casinos have been introduced in locations near Los Angeles that carry the ambience one would expect to find in Las Vegas. Furthermore, these operations have pushed to legalize new games, such as Chinese games, and have begun applying management and marketing techniques previously limited to the casino gaming industry.

Other hybrids of importance in this context are charitable casinos, as can be found in the Canadian provinces of Manitoba, Alberta and British Columbia, and legal low-stakes blackjack, to be found in states such as Oregon and North Dakota. Such games, which certainly parallel the games to be found in Nevada and Atlantic City casinos, are extremely popular where they are located, and are creating legal gambling opportunities where none existed before. In a similar vein, "Las Vegas nights," which provide low-stakes casino table games as fund-raisers for deserving charities on an irregular basis, are becoming increasing popular in many parts of the country.

Finally, because of recent court findings concerning the ambiguity of state laws and jurisdiction on Indian reservations in the United States, commercial gambling operations on Indian lands have become both a major growth activity for commercial gambling and a source of considerable controversy among existing gaming industry officials and regulators. A simplistic interpretation of the current legal status of Indian gambling is that if a state government allows some form of gambling to be operated within the state, even if it is severely restricted and regulated, the same type of gambling can be operated on Indian lands which by law are under federal and not state jurisdiction, and the state has no basis to regulate such gambling. Though the most common games offered are bingo and variants of bingo, some ingenious entrepreneurs have been pushing the limits of current legal interpretations to create veritable casinos under the guise of Indian gambling.

The main implication of these hybrids is that gambling as a recreational activity is going to be available to more and more individual Americans even if there is not a dramatic increase in the presence of legal casino gambling. How this will affect existing commercial gaming industries at this time is debatable. It is possible the increased exposure to gambling will create new customers who will find their way into the casinos and race tracks that already exist. It is also possible that these new forms of gambling will satisfy the consumer demand for recreational gambling and undermine growth potential in places like Nevada and Atlantic City, which still hold geographic monopolies on wide-open casino gambling in the United States.

Compulsive Gambling and the Law[7]

It seems quite reasonable that such a rapid expansion in legal commercial gambling, which is being met with greater social and economic legitimacy, would trigger a higher incidence of problem gambling among members of society. Historically, society has viewed compulsive gambling first as an immoral activity, later as a result of a personality defect, and most recently as a medical illness. As these perceptions have changed, so has the legal system's interpretation of the culpability of the compulsive gambler. In the first case, he was to be treated as a common criminal; in the second and third cases, he would be a person who, though guilty of crimes committed, was worthy of rehabilitation through treatment and professional counseling. However, gambling as a medical illness carries with it the implication that the ill person cannot be held accountable for the disease, and that the economic losses resulting from compulsive gambling may be the responsibility of the provider of gambling services rather than the gambler himself, much like the concept that a bartender should be held liable for serving alcohol to a person who is obviously drunk. Under this theory, if the gaming operator should be able to identify a compulsive gambler and still lets him lose large amounts of money (especially if it is someone else's money that was illegally taken), then the operator could be held fully liable by the damaged party and the courts could conceivably support the interpretation.

How well the problem gambler will fare under such a legal interpretation is more ambiguous. Courts have so far been willing to entertain the concept of compulsive gambling as a "diminished capacity" defense if the crime committed was directly linked to gambling. However, they have been reluctant to extend the arguments to crimes committed elsewhere when the perpetrator claimed it was his gambling compulsion that motivated him to steal. There is still not much of a sense in the judiciary of distinguishing between the gambler who steals and the thief who gambles. Furthermore, there is widespread feeling that if precedent is established that compulsive gambling can be successfully applied as a defense for criminal actions in nongambling-related crimes, it could be easily abused and seriously undermine the relationship between crime and punishment.

Finally, a successful defense of compulsive gambling as a disease is not automatically a reprieve for the individual. In a number of cases where a person was found not guilty by reason of a gambling illness, he was still declared a danger to society and incarcerated in a mental hospital.

Conclusions

The expansion of commercial gambling is popular with the general public, and it is fairly easy to measure the associated economic benefits such as job formation, income growth, regional economic stimulation and tax revenue generation. However, it is far more difficult to ascertain the social costs that occur in the same process. The following discussion covers only the area of compulsive gambling, but similar discussions could address other issues that might reflect additional social costs.

First, however, it is important to note the areas in which our lack of information is still a major detriment to the formation of reasoned public policies that best serve the interests of society at large. Clearly, one of the most important of these factors is the link between the availability of gambling, participation in gambling activities, and the creation of compulsive gamblers. After many years of speculation, and too many claims and counter-claims by experts in different facets of gambling, there still is a tremendous void in our understanding of the incidence of compulsive gambling in the population at large. Also, in spite of the efforts of organizations such as Gamblers Anonymous, and research by psychologists, psychiatrists, and social workers involved with pathological gambling, it is still unclear how effective the "cures" for compulsive gambling problems are. Without good information about the extent of gambling-related problems, and the ability of society to mitigate them through various types of treatment or regulatory policy, it is very difficult to come up with a "correct" direction for public policy toward gambling.

Over the years, the regulatory structure of the United Kingdom has often been cited as being the most humane of those in existence in the world, to the extent that the gambler and the potential gambler are protected from the "seductions of gambling" as much as regulation reasonably can accomplish.[8] One of the ironies of the resulting regulatory structure over casino gambling in the United Kingdom is the fact that, in the interest of protecting potential gamblers from their own weaknesses, casinos have been significantly restrained in their marketing efforts on the basis that only unstimulated demand should be catered to. Because of this, they have not had the ability to appeal to a broader market of potential customers, as American casinos have done. Thus, the people who have joined casino clubs in the United Kingdom and have signed a document stating that they wish to gamble in a casino are, on balance, far more committed to gambling than their American counterparts because there is really nothing else at a United Kingdom casino that could interest them. And once the gambler has walked through the casino doors, there is little left to protect him from his own gambling compulsions, if he is subject to such things, except the regulatory prohibitions against serving alcohol at the gaming tables, the prohibition against the casino granting credit, and the good will of the casino itself in protecting the individual from self-ruination.

Among the realities of casinos in the United Kingdom are the facts that "regulars," those who play perhaps three or more days per week, make up the majority of customers and contribute a significant portion of revenues to gross gaming winnings in many casinos. Furthermore, many of these regulars are losing money at a rate that is not sustainable in the long term, given their incomes and cash positions; thus, their survivability in the casino environment is limited. Whether such gamblers can be classified as compulsive is difficult. Whether they are ultimately financially ruined by the casinos is debatable, but certainly cannot be dismissed. It is unknown whether any changes in rules or regulations imposed on casinos in light of potential social damage from compulsive gambling would be effective. Whether it is anyone's responsibility even to be concerned about this problem in the United Kingdom is also a fair question.

It has been said more than once by American casino operators that it is important to be able to identify the problem gambler in the casino and cure his problem, because such individuals contribute less than 10 percent of casino revenues and yet create more than 90 percent of the modern day image problems for the American casino industry. If these statistics are correct (even though there is no reason to believe they are any better than other compulsive gambling statistics), then the enlightened self-interest of the casino industry would encourage it to resolve the problem itself. On the other hand, if the "regular" gambler is the backbone of the casino industry, and if among the regular gamblers are a high proportion of compulsive gamblers, then the gaming industry could not afford to cure him of his problem without sacrificing significant amounts of revenue.

To note the parallel with the alcohol industry once again, everyone acknowledges that alcoholism and alcohol abuse generate substantial costs for individuals, their families, and society at large. Yet the policy options are limited. Minor refinements in the law, such as stiffer drunken driving penalties, seem to have limited effectiveness, but there doesn't seem to be a menu of policy alternatives that will acknowledge the realities of alcohol use in society as a matter of free choice of many responsible individuals, and at the same time mitigate the problems related to abuse.

With gambling, we don't even know how extensive problem gambling is, with estimates ranging from almost negligible to quite substantial. Professionals who work in gambling, whether from the casino industry, from the treatment professions or from regulatory bodies or law enforcement, survive on anecdotal information because no one has been able to see the big picture. It is even possible that the big picture, as related to compulsive gambling, will always remain invisible. It is conceivable that compulsive gambling can only be classified retrospectively. Every gambler who is still actively chasing the big win might believe he is making rational calculated decisions, and thus it is difficult to claim to oneself that there is a problem. But as long as that is the case, however, sorting out normal gamblers from problem gamblers is virtually impossible. Measuring the social costs that gambling imposes on society at large is even more nebulous.

Notes

1. See, for example, Jerome H. Skolnick, *House of Cards*, (Boston: Little, Brown & Company, 1978); and Vicki Abt, James F. Smith, and Eugene M. Christiansen, *The Business of Risk*, (Lawrence: University Press of Kansas, 1985).

2. Donald L. Barlett and James B. Steele, *Empire: The Life, Legend, and Madness of Howard Hughes*, (New York: Norton, 1979).

3. For further discussion, see William R. Eadington, "The Evolution of Corporate Gambling in Nevada," *Nevada Review of Business and Economics*, Spring 1982; and Dean Macomber, "Modern Management Techniques in Casino Operations," *Annals of the American Academy of Political and Social Science*, July 1984.

4. For elaborations on these themes, see William R. Eadington, "The Effect of the California Lottery on Nevada Gaming Revenues" and John D. Vasche, "An Economic Analysis of the California Lottery," both in *The Nevada Public Affairs Review*, No. 2, 1986.

5. Analysis of various back issues of the annual *Nevada Gaming Abstract*, State Gaming Control Board, Carson City, clearly illustrates this trend.

6. See, for example John Mills, "Innovation in the Gaming Industry: The Case of Megabucks," *Nevada Review of Business and Economics*, Fall, 1986.

7. This section draws extensively from the writings of I. Nelson Rose, in particular *Gambling and the Law*, (Hollywood: Gambling Times Press, 1985); and "A New Deal for Compulsive Gamblers: Problem Gambling and the Law," *Gambling Research: Proceedings of the Seventh International Conference on Gambling and Risk Taking, vol. 3, 1987.*

8. See, for example, *The Report of the Royal Commission on Gambling*, 1978 (The Rothschild Report), especially pp. 280-325; and Joseph Kelly, "The Gaming Laws of Great Britain," in *The Journal of International and Comparative Law*, New York Law School, 1987.

A Risky Business:
Political Control of Australian Casinos

*by Jan McMillen**

The recent proliferation of casinos in Australia must seem like a success story when one thinks of the heated debates surrounding casino policies in Britain and the United States. Since the first Australian casino was legalized in Tasmania in 1973, Australian governments have permitted the introduction of several commercial casinos with hardly a murmur of public opposition. The speed and magnitude of the Australian casino "boom" has been quite extraordinary. If current proposals for future casinos go ahead, there soon will be eleven casinos scattered throughout the nation; only Victoria continues to resist the rush to join the casino bandwagon. Commercial casinos have become one of Australia's fastest growing industries as governments increasingly have turned to tourism to diversify and revitalize flagging local economies. More significantly, the most recent casino developments have been located in major urban centers, making casino gambling far more accessible to the whole population than it is in Britain or the United States.

But the legalization of casinos has not only introduced a new industry to Australia's economy and an important international element to the local gambling culture, it has also meant an explosive growth of Australian casinos and a radical reversal of previous policies of gambling regulation. In their haste to secure a share of the commercial casino market, Australian governments have moved toward the privatization of gambling. Whereas earlier forms of Australian gambling (lotteries, off-course betting) have been directly administered by governments themselves, since the 1970s governments have encouraged powerful transnational corporations to invest in the thriving gambling market. These two developments--privatization and internationalization--have brought changes to the role of governments in gambling regulation and opened the way for unprecedented problems of political control. While the Australian transition to commercial casinos appears to have been remarkably successful in the short term, there are a number of long-term risks which stem from fundamental tensions and flaws in the delicately balanced relationship between casino management and regulatory authorities. The complex legal, political, and ethical ambiguities of casino policies, and the economic power of casino corporations, challenge the capacity of Australian governments to regulate the industry. This paper will address the difficulties of casino controls in Australia, examining the various procedures adopted by governments to regulate the casino industry and the problems that make political control of Australia's casinos a risky business indeed.

The Casino Revolution

The current enthusiasm for casinos is a very new phenomenon in Australia. As has been the case in every jurisdiction where casinos have been introduced, public confidence in casinos to some extent had been undermined by reports from Britain and the United States of problems with internal controls and threats to law and order in the nearby communities. But Australian casino developments have been unusual in several ways: first, although the decision to permit commercial casinos involved a major reversal of existing gambling policies, the Australian public has accepted these changes with few objections; second, casino growth has occurred in two distinct phases, characterized by different market objectives and regulatory systems; third, the pattern of casino development has been extremely decentralized, with casinos scattered around the country in major urban centers.

The introduction of legal casinos to Australia can only be understood in the context of changing social and political-economic conditions of the past twenty years. Historically, casino policies have developed within a complex and variable body of gambling laws and regulatory practices which have conditioned the approach of Australian public and governments to gambling. Since the nineteenth century Australia has had remarkably liberal gambling laws. Rather than being suppressed as a social "problem," a variety of legalized gambling has been widely available in Australia since the nineteenth century. More importantly, Australians have come to expect state governments to both provide and regulate gambling services on their behalf. Australia's reputation as a "nation of gamblers" owes much to the widespread popularity of state lotteries and more recently to the establishment of government-managed TAB agencies for off-course betting.[1] Deeply embedded cultural notions of "fair play" and an institutionalized nexus between welfare revenues and gambling have legitimated governments' support and close involvement with popular gambling.

However, despite the relatively liberal approach to gambling as a whole, Australian gambling laws have discriminated against particular forms. Legislation dealing with commercial gambling ventures before the 1960s was essentially negative, decriminalizing only a limited service which catered to an

---

* Jan McMillen is a Senior Teaching Fellow in Sociology and Political Economy at Griffith University in Brisbane, Australia.

existing market, such as on-course bookmakers. Australian gambling laws also have been distinguished by selective prohibition of most forms of gaming, particularly the types of games normally associated with casinos. While legal gambling as such has had a high degree of social acceptance, periodic movements to formalize or relax laws regarding public gaming reveal ambiguities and contradictions in Australia's legislation. Until the 1970s, for example, gaming laws in most states have differentiated between commercial activities, which were suppressed, and state-run enterprises and charity gambling, which were allowed, or even promoted for the welfare revenues they could produce. At the turn of the century, one privately-owned Tasmanian lottery, Tattersalls, was very popular with Australian gamblers, despite several attempts by other state governments to prohibit the interstate sale of tickets.[2] In the period of post-war reconstruction and during the 1930s depression, these governments introduced their own state-run lotteries both to prevent the drain of local revenues and to expand government funds for welfare programs. Government ownership and management was argued to be essential to ensure honesty in the distribution of prize money and the provision of properly supervised gambling facilities.

Antigaming legislation also was defined explicitly in terms of a clear demarcation between public and private realms, and more covertly by the suppression of certain class-cultural gambling practices. For example, prohibitions on private gaming often were directly linked in legislation to other street "crimes"--vagrants and prostitutes; nineteenth-century legislation prohibited popular working class games (two-up, Yankee grab) and the gambling practices of cultural minorities, especially the Chinese (fan-tan, pakapu); and in the 1950s-1960s gaming clubs organized by European ethnic groups were subject to strong campaigns of suppression.[3] In contrast, illegal gaming which conforms to Anglo-Saxon tradition and values (such as church bingo and wagering on games played in the private recreational clubs of powerful propertied classes) has been widely tolerated.

However, casino gambling, the traditional domain of Europe's dominant economic groups, has never been an important part of Australia's popular gambling culture, despite the wide publicity given to the legalization of casinos in Nevada in the 1930s and to the emergence of illegal "casinos" in major Australian cities in the postwar years. To some extent the absence of legalized casino gambling in Australia before 1973 reflects a lack of public demand for this type of gambling. But more importantly, Australian governments have viewed the commercial casino industry with suspicion. Casino developments in Europe and Nevada were tainted by historical links with "organized crime" and persistent problems of political corruption, fraud, and cheating. Australian governments were understandably reluctant to legalize an industry that possibly would be beyond their capacity to control. This view of casinos was confirmed in the public mind by the close association between local criminals and illegal casinos in cities like Sydney.[4]

What happened to change Australian attitudes toward casino gambling? At an international level, reforms of controls in Nevada and Britain in the 1960s improved the image of the casino industry as a whole; casino gambling became a legitimate and entertaining feature of the growth in mass tourism. Within Australia, the general level of post-war social and economic change, and the contradictions which it produced, brought changes to the gambling policies of the various states. Increased affluence and leisure, changes in public morality and the competitive search by state governments for increased revenues to finance industrial development programs prompted a new era in the economic and political organization of Australian gambling. The most important precipitating factor in state governments' decisions to open the doors to commercial casino gambling was the growing importance of tourism as a strategy to diversify and revitalize stagnating regional economies. The global economic recession of the 1970s led to reorganization of the national economy and increased regional rivalries, producing a greater reliance on gambling both as a source of state government revenue and as an integral feature of capitalist development.

By the 1970s a series of historical changes had created social conditions which were favorable to the promotion of casino gambling by the commercial sector. On one hand, the introduction of commercial casino gambling is part of a more general trend toward economic diversification and the deregulation of the most dynamic elements in the Australian economy. The ever-broadening scope of gambling, particularly the move toward international forms of commercial gambling such as lotto and pools, created a socioeconomic climate conducive to contemporary casino policies. Public acceptance of the expansion and commercialization of gambling assisted the claim by a few large corporations for economic power over casino developments. Yet at the same time, commercial casinos have evolved within a well-established regulatory framework which historically had consolidated the authority of Australian governments over gambling. The longstanding practice of direct government provision and administration of lotteries and TAB betting had established a firm claim for government intervention and direction over casino management.

Since the political-economic crisis in the 1970s, Australian state governments have adopted a more aggressively commercial approach to gambling policies and regulation, openly stimulating private investment in new forms of gambling and encouraging the development of innovative marketing strategies. Casinos in particular have been presented to the public as an economic savior; political and commercial interests have joined forces to promote casino gambling as a catalyst for economic development. It is worth noting that Victoria decided that the social and criminal risks outweigh the rewards and rejected casinos altogether;[5] government inquiries which were set up in other states to evaluate the future potential of casino developments and to identify possible problems of control, moral debates have been replaced by expectations of widespread economic benefits.

However, within these general trends, specific regional conditions have influenced when and where to introduce casinos, the types of casinos to be established, the choice of operators, and the structures and conventions of control. The economic downturn of the 1970s and 1980s affected various Australian states in different ways, and the need to develop new means of stimulating economic growth was more acute in those states which were at a comparative disadvantage in the national economy.

The first states to turn to casinos were those less-developed states which have been most susceptible to economic fluctuations in the national economy (Tasmania and the Northern Territory). To some extent, in the years following the opening of the Wrest Point casino the rapid growth in Tasmania's emergent tourism industry suggested that optimistic projections of a "multiplier" effect were justified. More to the point, these economic benefits were achieved without any hint of public scandal or political corruption which could be linked to the Wrest Point Casino development. The success of the Wrest Point development in stimulating tourism and the apparent absence of crime and malpractice during the first few years of Australian operations gave legitimacy to the industry, the operators, and the regulators.

As the global economic situation worsened in the early 1980s, casinos increasingly began to be seen as a viable proposition for other states. By the time these states were seriously considering the introduction of tourist-oriented casinos, the international industry had undergone massive changes. During the 1970s, transnational corporations involved in tourism recognized the economic potential of casinos and began to dominate the casino industry in the United States and Europe and expanded their activities to Asia, the Bahamas, and the Pacific. As far as Australia was concerned, the most significant international development occurred in New Jersey in 1976, where commercial pressures to revitalize the decaying tourist city of Atlantic City had persuaded the legislature to allow several large urban casinos explicitly aimed at stimulation of mass tourism and maximization of gambling profits.

In the 1980s, a more rapid, second phase of casino expansion introduced this new style of casino to Australia, based on a quite different and more ambitious set of commercial criteria from the earlier casinos, and establishing a system of government regulation which differs in telling ways from the earlier Wrest Point model. By this time tourism had become an important strategy in the economic policies of all Australian governments, and commercial interests in the tourism industry were promoting the idea that casinos were a necessary and crucial facility in tourist centers of international standard. States that were developing tourism industries were thought to be disadvantaged by the success of the casinos in Tasmania and the Northern Territory. Regional rivalry for the domestic and international tourist markets and competition between the states for a niche in the gambling market forced governments to rethink their casino policies.

For the first time in Australia casinos as such were proposed as the core component in regional economic development, rather than as merely one facet of a tourist complex. Casino revenues also seemed to offer a partial solution to the fiscal crisis faced by many governments. At a time when fiscal resources were under strain, even governments which previously had been strong opponents of casino proposals were attracted by the advantages of an invisible, politically acceptable form of consumption tax as a bonus to more general economic growth. For example, the longstanding moral objections of the Queensland premier, Sir Joh Bjelke Petersen,were overcome by the anticipation that wide-ranging economic benefits would flow from international standard casinos.

The 1980 decision by the Queensland government to allocate two casino licenses in the state signalled a turning point in the direction of Australian casino development. Other states quickly followed the Queensland example as commercial competition for the lucrative tourist market gathered pace. In the search for international markets, corporations promoted expectations of luxury casino facilities requiring vast amounts of investment capital, international experience and expertise, and cost-effective linkages with other tourism and service industries which only they had the resources to supply. Governments facilitated and organized the transition to casinos, actively encouraging innovations in style, size, and speed of construction which would secure a market advantage over other states. For example, in their race to close the gap on Queensland's casino projects, South Australia and Western Australia permitted the construction and opening of their casinos long before the hotel-entertainment features were completed.

Fierce competition for casino licenses, and the inflated size and scale of the second-phase casino projects meant that small investors, weakened by the economic slump of the 1970s, were unable to match the resources of large transnational corporations. Many large corporations (Conrad Hilton, Genting Berhard, Sheraton, Aspinalls) have extensive casino operations in other countries and welcomed the opportunity to expand their casino activities into another lucrative market. Construction interests have been able to take double advantage of the casino boom through equity holdings and development contracts; other investors have turned to the casino industry as a new source of profits in the face of diminished growth in their original profit centers.

But the radical reversal of casino prohibitions was not prompted by economic motives alone. Casino policies have involved a complex and often contradictory articulation of economic and moral concerns. In every state the casino legislation coincided with a "tightening up" of the regulation of public morality, for instance by suppression of poker machines and SP betting, or through authoritarian responses to "nongambling" issues such as the family and sex education. The appeal of casino revenues and economic development was made more attractive by the possibility of simultaneously resolving enforcement problems with existing antigambling laws. In Western Australia and New South Wales, for instance, well-established illegal gaming clubs have thrived since the 1960s; the legalization of government-controlled casinos was justified as a realistic and responsible solution to the illegal gambling problem.

Regulating Australian Casinos

All Australian governments share the policy position that public confidence in the gambling industry can be obtained through a demonstration of effective government controls. Regulation of Australian casino operations has required the development of an overall control system which differs from the kinds of government regulations over traditional Australian gambling such as horse-betting and lotteries. Furthermore, while Australian casinos share many of the features and problems of casinos in other countries, the Australian approach to the political control of casinos has been quite distinctive. At one level, Australian casino regulators face common issues of casino control and have responded with similar regulatory measures. But the general features and problems of casino regulation have been given an added dimension by distinctive local factors and historical influences. Negotiation of casino relations in Australia has been complicated by variable regional responses to casino developments, shaped by specific social, political, and moral climates and market considerations. Consequently the various state governments have taken a number of different approaches in their efforts to control casinos.[6]

Basically, the gamble has paid off. In many ways, Australian regulators have been able to turn the experiences of casinos in Europe, Britain, America and Asia, and in the early Australian casinos, to their advantage. One of the crucial factors which reassured governments in most states that they had the capacity to assert political control over casino operations was the development in Tasmania of a system of casino regulation tailored for Australian conditions. Whereas state governments had been able to claim monopolistic rights over gambling when introducing lotteries in the 1920s and 1930s, total government control over casinos in the 1970s was limited by the ambiguous status of casino gambling and the commercial strength of corporate investors. For a number of reasons government ownership or direct operation was never seriously considered, not least because independent scrutiny of operations was given high priority. But it is likely that governments also preferred private investors to take the financial risks of introducing a totally new form of gambling to the Australian market. Arguing that the economic success of the project relied on specialized commercial expertise in casino-hotel management, the Tasmanian government legislated for a system of licensed private ownership, closely monitored by a separate full-time government regulatory body, as the most financially advantageous and politically acceptable casino structure. Moreover, the Tasmanian government devised new regulatory procedures which were intended to avoid the flaws and pitfalls of casino controls in other countries and to satisfy the high standards of gambling control historically demanded of Australian governments. The checkered history of contemporary casino controls in other nations showed the particular importance of an effective internal control system. Australian governments argue that they have been able to eliminate defects in overseas casino controls by combining procedures to regulate activity at the gaming tables, seen by operators to be the most vulnerable area of a casino, with techniques to disclose irregularities in the collection, counting, recording, and storage of cash and gaming chips. In each state, overall responsibility for the application of internal casino controls is divided between several agencies. The enforcement arm of the government regulatory structure is built around a specialist casino authority which functions with the assistance of the state and federal police. As in many overseas casinos, legislation has granted government regulators extensive search and seizure powers which authorize them to examine the casino premises, person, property, documents and records without a warrant or prior notice. In Australia these powers have been given added potency by the location of a permanent on-site government inspectorate in each casino. On-site control methods emphasize the detection of rule violations, direct control of gaming procedures, the development of control strategies which enforce legislation, and the investigation of public complaints about casino mismanagement. Other indirect government safeguards over casino activities, such as government approval of the rules of games and specification of standards and use of casino equipment, also have been important.

Drawing on the experience of regulatory bodies in Europe, Britain, and Nevada, the Australian control system which emerged in the 1970s was a carefully selected mixture of legal constraints and inspection procedures used in overseas jurisdictions, adapted to suit local circumstances and expectations of strong gambling regulations. In the "trade-offs" between economic advantages and regulation, the Tasmanian government gave public priority to concerns for social legitimacy over the commercial motivations of the casino industry. The restrictive philosophies and practices of the British model of casino control were particularly influential. Nevada's "laissez-faire approach"[7] was considered inadequate for Australian casino controls, primarily because of its demonstrated inability to deal with the persistent problems of crime and corruption in American casinos. The more wide-ranging and arbitrary government powers in British regulations appealed to Australian governments keen to assert authority over a new and highly suspect industry and to reassure an anxious electorate that firm political controls over casinos were in place. The first phase of Australian casino developments also was influenced by the historical British concern with "player protection."[8] The early casinos were approved not with the primary intention of stimulating gambling for its own sake, as in Nevada, but as an "unobtrusive" tourist facility integrated within a hotel-resort complex. At the same time, Australian regulators recognized limitations in the British regulatory system and pioneered more comprehensive auditing and monitoring procedures to reassure the public that casinos were not inevitably the disreputable focus of crime and vice.

A second and related factor in the development of an

Australian model of control that drew many of its features from British methods was the local unfamiliarity with casino operations and inexperience in the day-to-day procedures of casino controls. The government and casino operator both relied heavily on staff recruited from the British casino industry. This has had two important implications for government-operator relations. Most of the responsibility for making the casino work was left to the operators; effective negotiation and communication between the operator and government regulators was essential for the development of control mechanisms acceptable to both "partners" in the enterprise.

In Australia's first-phase casinos, the regulatory solution to problems of control which had troubled Britain and Nevada inspired a system of self-regulation and cooperative compliance. Internal rules were drafted in cooperation with the casino corporations, then ratified and enforced by a full-time regulatory authority to ensure that casino activities satisfied the broad guidelines set down in government policy. The argument has been that casino operations are so particularistic, complex, multifaceted and subject to technological change that it is more feasible for operators to determine the sets of rules to cover areas of concern in each individual casino. This regulatory approach acknowledges the specialist expertise of casino operators and the need for regulations to adjust to rapidly changing business environments. The main advantages as far as regulators are concerned are that it supposedly enables a more precise specification of regulations for each casino than the imposition of a set of more universalistic requirements, that it minimizes conflict and avoids the expense of two sets of regulations (the government's and the operator's).

Even so, Tasmanian and Northern Territory casino regulations established the potential for a high degree of political authority and direct intervention over the conduct of Australian casinos. State governments since then have sought to further consolidate and extend government regulations by incorporating improved control techniques which have been successful in overseas casinos. Each state government has constructed its own distinctive regulatory structure, which welds together up-to-date control procedures borrowed from overseas and from local political-legal institutions. Differences in Australian regulations have been shaped by the bureaucratic institutions, practices and ideas in each state. Although most states have combined regulatory powers in one all-powerful government instrumentality, the specific organization of responsibilities, command and supervision varies from one jurisdiction to another. In contrast to the centralized control structure in Britain and the restricted regional development of casinos in Nevada and New Jersey, a variety of bureaucratic models has evolved at the state level in Australia to deal with issues of casino control. The South Australian government, for example, has attempted to establish its independence from commercial forces in the casino by retaining the casino license itself; the operation of the casino has been subcontracted to an experienced international corporation.

In the second wave of casinos in the 1980s, governments have continued to impose constraints on commercial activity to the extent that they have politicized the provision and administration of commercial casino gambling. A high price has been extracted for allowing commercial casino operations and arranging the conditions necessary for continued profits. In exchange for legal authority to conduct casinos, Australian casino operators have agreed to revenue contributions above the taxation rate incurred in many other jurisdictions. Australian governments also have been able to impose unusually direct controls over the level of profitability; the level of payout theoretically is determined by government regulators, not primarily by market factors. For example, in Queensland the return on video-game machines has been set at 92 percent, although there are pressures to lower this. Controlling the poker machine industry has been seen as a particularly difficult problem, and poker machines have been prohibited in many states.[9] However, video-game machines have been allowed into most casinos on the grounds that they involve a higher level of skill, and thus are less likely to cause adverse social effects, and that they can be confined to a single location and thus are easier to control. Corporate profits have been constrained further by the industrial and political influence of Australia's highly organized labor force; with the notable exception of Queensland, few Australian governments have yet been prepared to risk the electoral costs of assisting operators' attempts to lower wages.

In the larger urban casinos a more stringent internal control system was considered essential to counterbalance the increased potential for criminal infiltration and mismanagement. Control methods based primarily on internal negotiation and voluntary self-regulation which had been used in the smaller, geographically isolated casinos characteristic of the 1970s were thought unlikely to be effective in the large urban casinos of the 1980s. In drafting new control structures and procedures, Australian state governments have been heavily influenced by the more stringent regulatory system introduced in New Jersey. Control procedures in the second-phase Australian casinos have strengthened and refined American licensing procedures and bureaucratic safeguards to ensure the honesty of the operators, the economic viability of individual casino operations, and the effectiveness of taxation processes. The higher priority given by governments to broad-based economic objectives and to the elimination of criminal influence and malpractice has shifted the regulatory emphasis to issues of crime prevention as a fundamental principle. Internal controls have been tightened and regulatory agencies provided with a more comprehensive combination of formal powers to ensure compliance with the law.

In many respects, the general arguments that have been made about the legal abuse of power by corporations in the pursuit of economic and organizational goals have direct relevance to the regulation of casinos. Because of the nature of commercial casinos, control over casino management can be the most important regulatory function and the most difficult to achieve. Casino authorities have tried to establish a more interventionist control system in which the regulatory agencies have greater discretion to direct the conduct of the casino and stronger formal powers to penalize violations of the regulations. This system relies on a creative blend of persuasion and prosecution strategies. The theory is that the increased possibility of punishment routinely acts to strengthen the hand of government regulators, and that it therefore complements the forces of internal compliance. When rule violations do occur, or an operator refuses to comply with directions, regulators have the capability to escalate to a more interventionist and punitive approach.

It has also been argued that regulation of any business works best when government authorities can call upon a range of enforcement strategies and sanctions. In the second-phase casinos, Australian governments have developed an internal control system based on a comprehensive set of procedures which is designed to both regulate all the activities occurring on the casino floor and to monitor the operators' internal accounting systems. Traditional European surveillance methods, such as floor patrols to monitor the behavior and interaction between patrons, dealers and pit bosses, have been combined with more sophisticated control procedures used in American casinos, such as a catwalk system above the casino ceiling (the "eye-in-the-sky") and an extensive closed-circuit camera system which allows direct observation of gaming tables and high risk areas of the casino such as the "cage" and the "count room." This regulatory system is intended to serve both as a deterrent to irregular corporate activity and as an important means of detecting deviations from specified rules and requirements by staff and patrons.

As well as these proactive internal control strategies, recent Australian regulations have been strongly influenced by improved American control methods which place greater emphasis on retrospective methods to locate and to provide documentary evidence of any malpractice or breakdown of existing controls. Regular examination of films from concealed cameras, detailed accounting procedures, and auditing of casino records are designed to strengthen the capacity to sanction casino offenses. Crimes which are not specifically related to the conduct of casino gambling, such as petty crime and prostitution, are dealt with by the casino regulators only as tangential matters, beyond their sphere of direct responsibility. The ultimate responsibility for the arrest and prosecution for breaches of casino regulations, as well as all other law-and-order crimes, remains with the local state police units, who serve as mediators between internal casino controls and external legal-judicial structures and processes.

Police powers in casino controls are fourfold: the investigation of individuals and companies prior to licensing; the collection of criminal intelligence; the arrest and prosecution of offenders suspected of casino-related crimes; and policing the neighboring community. In this regard, the Queensland government has introduced an innovation in casino controls; the Gold Coast casino includes a permanently staffed police office on the casino premises. The presence of this arm of law enforcement on-site in the casino is intended to strengthen government power over casino controls, specifically in the difficult tasks of the collection of tangible evidence necessary for prosecution of offenders. It also was intended that traditional police norms and values of crime-control would provide an additional counterbalance to the operators' paramount concern for profitability. At the same time, the existence of on-site police could deter illegal activities and minimize bad public relations for the operator, who elsewhere has to negotiate the assistance of local police.

Mutual benefits flow from cooperation and liaison to guarantee the integrity of casino management and auditing procedures, or the appearance that the casino is above reproach. Both operators and regulators are concerned to reassure the public and improve public perceptions of casinos. Government authorities need to demonstrate to the public that their regulatory system is effective; they also stand to gain politically and economically from increased revenues and the regional developments associated with a respected and well-patronized casino. Casino operators require endorsement by governments to operate and to gain community acceptance of the way they conduct their business; they are to some extent compelled by public skepticism and distrust to cooperate with government authorities over control. But casino operators also have several instrumental motives in supporting government regulation of casino activities. Cheating by patrons and casino staff are a major concern for casino management, as it undermines casino profits. Hence under normal circumstances, government regulators can expect cooperation by operators to enforce the law. Operators themselves have generated new improved control practices over patrons and staff, e.g. videotaping of table procedures and the daily "drop count" (the tally of the casino's takings). Important as these physical control procedures are for regulating casino activities, above all they have facilitated the interests of operators while appearing to control them. Effectively, government regulations have been shouldering part of the operator's control costs.

In combination, the diverse strategies incorporated into regulations for the second-phase Australian casinos have established what is theoretically the most stringent and comprehensive casino control system in the world. The very existence of a system of legal and social control based on deterrent principles is often cited as a clear indication of strong government control and a guarantee of the integrity and honesty of casino operators. However, despite the rhetoric and symbolic appeal of casino regulations, it is unclear just how effective this complex and costly control system has been in practice. The full implications of the decisive switch to a more comprehensive control system incorporating features of the New Jersey model may not be fully understood for many years, but already there are indications that it has increased the potential for tensions between casino operators and government regulatory bodies. The concentration of economic power and administrative expertise in large transnational casino corporations facilitates their intervention in the formulation and administration of casino regulations and threatens to undermine the capacity for governments to control casinos in the public interest.

The Limits of Control

Control authorities in Australia enjoy far greater discretion than their counterparts in many other jurisdictions. There have been problems, however, some of them emerging out of the contradictions between the commitments of fragmented state governments to simultaneously secure a large slice of the competitive international tourist market and to adopt a more interventionist regulatory strategy. As Skolnick argues, three issues are significant to the political control of the casino industry: the essential susceptibility of the casino industry to fraudulent and criminal activity; direct corruption of officials through bribery and collusion; and the indirect corruption which occurs when an industry dominates a local economy.[10] In spite of their attempts to improve on control strategies elsewhere, Australian casino regulations still tend to focus on the first of these problems at the expense of the other two.

To understand why discretionary administration and enforcement of casino regulations ultimately facilitate corporate control (not political control) over casino activity, it helps to consider those occasions when governments have acted to redefine Australian casino processes. Although the larger, second-phase casinos are still in the early days of operations, preliminary observations of events in Australia point to specific defects in the powers of deterrence and regulation of the state casino control authorities. Growing market competition for casino revenues and the growing political importance of casino developments have already begun to temper and reshape Australian casino developments to favor operators. There are four issues of potential importance:

1. In all casinos a fundamental tension exists between the objectives of both maximizing profits and applying effective controls. The inherent contradiction between economic and moral objectives creates difficulties in the relations between operators and government regulators. This fundamental structural problem has been aggravated in the latest phase of Australian casino developments by a new range of problems arising from the bureaucratic complexity of casino controls and from issues of law enforcement and crime.

2. Although they have formal powers to either initiate or recommend criminal prosecution, casino control authorities are primarily designed to be regulatory bodies whose main weapon against corporate misbehavior is administrative. Yet the range of available sanctions is very limited, relying for effect on the extreme threats of license withdrawal or criminal prosecution. Despite attempts to achieve compliance by the formulation of precise rules and a specific allocation of various surveillance and prosecutional tasks, the lack of effective penalties means that there is still considerable room in the administration of regulations for discretionary behavior, and consequently for political or economic corruption.

3. The resources available to the regulatory agencies are no match for the large national and transnational corporations. The highly technological nature of casino administration and the extent of corporate linkages in the casino industry make it increasingly difficult for any government to identify and monitor corporate irregularities, especially in regard to financial transactions. Government authorities do not always possess the funds to continuously strengthen enforcement practices; and when resources are scarce, there is a tendency to revert to informal practices, increasing the potential for collusion. Casino corporations have a greater capacity to recruit skilled casino staff to key organizational positions, to foster a corporate mentality which places productivity and profit before all else, and to utilize legal and technological expertise to manipulate loopholes in the regulations.

4. The political costs of a public scandal if a breakdown in control occurs could place further limits on government powers. Lack of statutory obligations to report rule violations and casino malpractice to Parliament allows regulators to conceal problems or to collude with operators by overlooking or minimizing lapses in legal requirements. The risk of jeopardizing regional economic development, and fears of a prolonged judicial battle and its electoral consequences, have the potential to undermine government willingness to take firm action against an operator.

A number of contradictions and inconsistencies inherent in the political-economic relations of contemporary Australian casinos, and in the formal and informal aspects of law and political justice, have limited, or have the potential to limit, the regulatory powers of governments. Changes which have occurred in the type of casino introduced to Australia in recent years, and in the regulatory structures and procedures established to control them, have brought about a shift in relations between commercial operators and government control authorities. The capacity of governments to regulate casino activities is seriously threatened by the growing power of commercial casino operations, and by shifts in the balance of forces which determine relations between casino operators and regulatory authorities.

Several factors have contributed to a growing power imbalance between corporate and regulatory agencies. Firstly, by the 1980s the increase in public and political acceptance of casino gambling in Australia had attracted investment by large transnational and national corporations with concentrated economic power. The increased significance of the casino industry in the economic structure and the strategic corporate links of the major investors have strengthened the economic influence of commercial interests over casino policies. Second, in uncertain environmental conditions, these groups have been able to use their combined economic power to secure marketing arrangements which guarantee the predictability and order essential for profit. For example, with the exception of Townsville, all the second-phase casinos have been located in major mainland cities, unlike the more remote developments of the 1970s. Paradoxically, policies which protect the economic viability of casino enterprises also have been interwoven with residual paternalistic and restrictive strands of earlier developments. Unlike the multiple developments in Nevada and Atlantic City, Australian state governments have restricted open market competition by guaranteeing regional monopolies to carefully selected casino operators, thus simultaneously protecting existing commercial investments while limiting the spread of casinos in their jurisdictions. Consequently each individual casino has assumed an importance in the local economy which correspondingly has increased the political risks for governments.

The difficulty of reconciling inconsistencies in their view of gambling as both a control problem and a source of revenue poses a constant dilemma for government authorities. Yet the body of legislation which has evolved from such contradictory objectives addresses the relations between operator and regulator in only the most basic and mechanical terms. In defining the role of casinos, the drafters of Australian casino regulations have emulated the American approach and limited the scope of casino laws to that of "enabling" legislation, setting up a bare operating framework for casino activities and empowering casino regulators to determine, through ministerial direction, the precise specifications of operating conditions. Legislation which prescribes the conditions for casino regulations avoids a clear definition of fundamental principles and priorities to direct government controls. Aside from the most basic specification of administrative objectives of their new casino powers, they fail to precisely define the governments' positions on gambling in general or on the regulation of casino operations. In the casino industry, where economic interests are so concentrated and profound, it is highly unlikely that there will be a consensus on the objectives of controls. Despite the fact that no public prosecutions of any kind have been recorded in Australia, it would be naive to expect that operators will always comply voluntarily with regulations.[11] There also is a risk that corporations will attempt to draft casino rules to avoid the spirit of the law or that regulators will be coopted by commercial interests. The precarious operating "partnership" between commercial and political agencies which is produced by this process has two major effects on casino controls. First, it enables a high degree of flexibility and discretion in decision-making. In some ways this system of self-regulation has advantages for regulators, especially in jurisdictions with more than one casino. Within the overall policy for casino control in each state, the operating conditions and objectives of each casino are different. A system which requires each casino to draft specific regulations to suit its own situation and commercial objectives is therefore likely to produce more appropriate and more effective controls than less precise rules which may be inappropriate or open to abuse. However, while it may be administratively desirable to encourage voluntary compliance and to facilitate prompt and coordinated responses to problems as they occur, a high degree of self-regulation also exposes regulators to pressures for policy changes which will be commercially favorable to the operator.

Second, the particular management style of the operator will inevitably influence, and possibly could even dominate, the administrative practices and ideologies of casino routines. The influence of the management style of individual operators on the integrity and legitimacy of casino operations can be quite critical. Under ideal conditions, cooperative regulation can facilitate harmonious relations and a shared sense of purpose. Some operators of Australian casinos can see advantages in close cooperation with governments. Other operators, particularly transnational corporations accustomed to the relatively unfettered commercial environments of Nevada and Asia, may not find it so easy to accept government direction over management policies. This in itself is not necessarily a problem. It only becomes so when regulators do not have the power or the incentive or the compulsion to ensure that government controls are rendered effective.

Not all casino regulations are economically convenient to industry. Government agencies have used their extensive statutory powers to strengthen law enforcement over the operators themselves, e.g. constraints upon operators' autonomy and tighter internal documentation to check skimming and money laundering. Constant surveillance of casino activity can create an organizational climate of antagonism and distrust. As government authorities have adopted more comprehensive and sophisticated controls, casino operators in the "second phase" have established parallel surveillance systems which monitor the activities of regulators, thus reasserting corporate independence from the scrutiny and control of state authorities. Casino management also employs its own uniformed in-house security force to patrol the casino floor and maintain general law and order in the casino complex. The quasi-legal powers of these surrogate police in effect give them the status of a private "army," exclusively concerned with the protection of casino assets and profits and the control of staff and patrons; in no way are they accountable to the public. The resulting duplication of control functions is very costly on the whole, and reflects inherent tensions and differences in the priorities given to revenue and control objectives by the two agents. These conflicting interests have been expressed in several disagreements between the industry's representatives and regulatory agencies about the relative merits of certain control methods, e.g. the use of color videotaping.

The principal means available to Australian governments to ensure that casino management operates the casino within the law is their power to license the operator. The corporate integrity of the operator is essential to the economic and political success of casino developments. Licensing therefore has become the most crucial mechanism in the regulatory process, enforced by extensive investigative and enforcement powers granted to casino control authorities. But licensing, the central pillar of the political control structure, is fundamentally flawed. In day-to-day regulation, enforcement of licensing controls has focused predominantly on individuals, and not on the corporate body itself. This regulatory approach works on the assumption that one "rotten apple" can corrupt the whole system. Most of the Australian casino statutes are drafted in broad terms, employing standards which emphasize subjective assessments of character integrity as well as official records of lawful conduct and past commercial practices such as payment of taxes. Specialized commercial criteria such as technical skills with casino surveillance and internal audits have become more important in the larger casino projects of recent years, along with more precise definition of ancillary industries, such as hospitality services and liquor sales. Yet licensing of individuals as a regulatory strategy in similar industries (e.g. liquor outlets and TAB agencies) has been notoriously controversial and politically sensitive. And Australian regulations do not follow New Jersey's example of licensing all ancillary services doing business with the casino-hotels, even though the intrusion of criminal elements and the Teamsters' Union in casino services in New Jersey has been well documented.

Attempts to control corporate behavior, especially in casinos which have oligopolistic control over product supply, are weakened when formal regulatory strategies and sanctions are directed primarily at individuals rather than corporate offenders. By emphasizing control over individuals, attention is diverted from systemic problems of corporate control. Like other large capitalist enterprises, casino corporations are organized around the principle of maximum private gain, rather than maximum public benefit. Environmental uncertainties (market conditions, government regulations, labor relations, consumer preferences) can interfere with the ability to achieve expected levels of profitability and increase the possibility that management will circumvent the most carefully designed regulatory systems. Internationally, the reputation of the commercial casino industry has been blemished by consistent examples of casino executives bending, evading, or breaking legal regulations to increase profits, to expand market share, or to control competition where strictly legitimate alternatives have not been available.

Despite attempts to exclude criminal elements from Australian casinos and steps to ensure that operators are essentially honest and amenable to government controls, licensing remains problematic and open to abuse. Although the Australian model of casino control gives regulators a general mandate to audit the operator's compliance with the law, in practice it still allows a considerable degree of self-regulation and discretion, requiring a high level of trust and cooperation between regulators and operators. Given that authorities grant licenses, renegotiate crucial aspects of casino operations, and enforce discipline in private, this method of controlling casinos depends on a sweeping presumption of the integrity and incorruptibility of public officials. But there are doubts about the adequacy of any regulatory approach which uses license withdrawal as its major enforcement strategy. The precarious "partnership" between government representatives and the operator makes this aspect of casino regulations extremely uncertain. Although it is within the government's legislative powers to impose sanctions or restrictions on operators, commitment to the economic imperative is so strong that this is unlikely except in very controversial circumstances. Once a license has been granted, it is very difficult for governments to use their disqualification powers and withdraw a casino operator's license. It is still likely that violations will be dealt with internally; the threat of prosecution or license withdrawal is used only indirectly by regulators to lend weight to internal negotiations.

In the 1980s the potential for corruption has become a crucial issue in determining the appropriate model for regulating Australia's new urban casinos. Even so, many Australian governments in the second phase of development have been accused of political patronage over the allocation of casino licenses, particularly where decisions have been made beyond the safeguard of public review. The 1986 scandal over the initial allocation of a license for a casino at Sydney's Darling Harbour demonstrates how easily a political commitment to casino development can pressure a government to short-cut normal licensing procedures or to overlook improper business conduct of individuals applying for a casino license. Given the proclaimed concern to avoid corporate crime in the casinos, the controversy around the Sydney casino is a timely reminder that a more open, direct method of evaluating and controlling organizational practices and ideologies and the relationship between operator and regulator would seem to be of paramount importance.

The single occasion when a license has been withdrawn from an Australian casino operator is a clear demonstration that the political administration of casino regulations is influenced as much by the political and economic environment as by internal control factors. In 1984 the Northern Territory government withheld two casino licenses from Federal Hotels, even though there had been no suggestion of corruption or misconduct. The casinos initially had been profitable, but they began to encounter financial difficulties as the political and economic stakes of casino developments escalated in the 1980s. In very controversial circumstances, the government argued that expansion and upgrading of casino facilities was essential for regional tourism development and subsidized a financial takeover of the casinos by transnational interests. Despite an unblemished record of management, the operator was penalized not for misconduct but for not meeting economic expectations.

Studies of business regulation in many industries have demonstrated that criminal activities are endemic to organizational procedures and to the asymmetrical power relationships between corporations and government regulatory agencies. Australian governments have been seriously disadvantaged by the superior knowledge and resources of international casino corporations. The specialized and technological nature of casino regulation places casino executives in an even more powerful position than most other industries. At the same time, the constant need for discretionary interpretation of the law and redefinition of casino policies places great stress on the resources and the integrity of enforcement agencies. Not only do they have a greater opportunity to determine which activities will be regarded as illegal, they have the capacity to intervene in the design of the monitoring process itself. An imbalance between corporate and government influence occurs when the operator has superior resources and greater expertise in various aspects of the casino industry than the regulator. In the sensitive negotiations between regulators and operators, regulators defending political control do not always have the same bargaining power or budgetary capacities as those defending the operator's interests in profit. In the first casino phase, government authorities sought to redress the imbalance by recruitment of experienced casino regulators from Britain. Efforts to tighten administrative controls in recent casinos have led to the appointment of top-level sate bureaucrats with a more detailed knowledge of local business regulations but little previous casino expertise. Although all Australian governments to some extent have learned from the experience in other jurisdictions, it seems that the gap actually may have increased because of the size and complexity of the new modern American-style casino operations. Superior access to advanced technology by transnational casino corporations, and the high political stakes of casino developments, make it possible in some circumstances for operators to exert political leverage until certain concessions are granted, e.g. for licenses, tax concessions, drink regulations, changes to the rules of games, and calculations of payout on winnings. And if a resourceful international casino corporation chose to conceal financial irregularities by transferring assets from one subsidiary to another, even the most persistent regulatory agency would find it difficult to unravel its activities, let alone to overcome the political-legal barriers to enforcing license withdrawal or a conviction.

Inevitably there are times when regulators are at odds with certain commercial interests, in that the government must act with some independence from individual corporations to ensure the survival of the casino program as a whole. However, in their dealings with casino operators, the position of state regulators is further weakened by a range of factors which affect their own mode of operations. Patterns of casino development and regulation are determined as much by the bureaucratic institutions and practices of public administration as they are by political-economic or legislative factors. Decentralization of casino developments and an elaborate network of segmented and divided regulatory structures have combined to fragment the control process. For example, the South Australian system is intended to ensure the necessary checks and balances on casino regulatory procedures and has produced a very complex regulatory structure with several separate agencies and divided responsibilities. But the division of powers appears to be extraordinarily bureaucratic and cumbersome; even with the best intentions, in such a complicated regulatory structure it is likely that errors could still occur and only be partially addressed.

The problem with discretionary regulation is the abuse of that discretion. Ironically, the existence of a powerful government control system has insulated the activities of casino operators from public scrutiny. In most states there is no mandatory requirement in the legislation or in the confidential management agreements drawn between casino operators and regulatory agencies that casino controls be open to public scrutiny. Some states do not even require the submission of an annual report to Parliament. While law-breaking and conflicts are dealt with internally, and the discretionary powers of government controllers and operators encourage collusion to prevent adverse publicity, there is a need for statutory obligation to both empower and compel regulators to report noncompliance by operators to the government. Without such a requirement, it is not possible to evaluate the extent to which regulatory decisions stem from the effects of political and economic pressures, complicated procedures, or competition for scarce resources. And while decisions bypass the parliamentary scrutiny that is supposed to monitor government regulation of business in Australia, it is impossible to know the extent to which the various parties have been able to make their particular view carry weight. Clearly such a closed system is open to abuse, particularly amongst those with economic and political motives.

The symbiotic relationship between the casino industry and local politicians and the concentration of ultimate discretionary power in the minister in charge of casinos, in many cases without the necessary safeguards of parliamentary review, leaves the system wide open to political manipulation and secret deals. Many of the existing control procedures are oriented too far toward regulatory agendas originally devised by the operators; and as economic and social conditions change, there are indications that certain provisions of Australian casino legislation are particularly subject to political leverage and legal amendment. The highly regionalized nature of Australian casino developments has encouraged intense lobbying by commercial interests for reconsideration of operating procedures or for relaxation of legal requirements, on the basis that existing regulations disadvantage local casinos in the increasingly competitive environment. In such circumstances, the negotiated balance between control, efficient operations, and public welfare is susceptible to commercial pressure for more generous interpretation of regulations, especially where casino returns are low. Governments are being forced to reconcile the competition between casino operators, offering political concessions and ensuring the social conditions necessary to maintain profits.

Some controversial shifts in Australian casino policies have occurred in recent years, and the reasons for them have not always been openly acknowledged or adequately justified to the public. In 1983 the Tasmanian casinos successfully obtained a taxation remission to assist the local casino industry to compete with casinos in other jurisdictions, and there has been pressure for the government to renegotiate operating conditions and approve new games to increase profitability. A more radical response to interregional competition was taken by the Northern Territory government; since 1984 the new operators have not been required to pay any tax as a concession to declining profits.

Policy inconsistencies also have occurred within a single jurisdiction. Different commercial groups appear to have greater power to bargain, compromise, and adjust their interests in a way that secures government intervention at the expense of their market competitors. Two examples from

Queensland are relevant here. The legislated tax rates for the two casinos show marked discrepancies (20 percent for Jupiter's at the Gold Coast and 10 percent for Townsville's Breakwater Casino), even though the major shareholder in Jupiter's Casino has publicly demanded a reduction in line with the more favorable tax rate offered to its northern rival. The policy excluding poker machines from casinos in favor of video-game machines also has been the center of protracted debate and lobbying, especially as video-game machines have not proved to be as profitable as expected. Government resistance to poker machines has been a particular problem for the Gold Coast casino, where local residents have continued to show a preference for poker machines legally available in clubs across the New South Wales state border.

Regional variations in corporate policies, regulatory structures, and social climates in Australia also have had noticeably different consequences for the enforcement of controls over patrons and staff. In an industry as susceptible to public criticism as casinos, operators at first preferred to compromise on the arrest and prosecution of casino cheats, wishing to avoid publicity and the disruption of smooth business operations associated with law enforcement activities. Prosecuting gamblers looks uncommonly like harassment and can be unproductive. Casino management has argued that some allowance has had to be made for the fact that Australians are novices at casino gambling and may make genuine mistakes; warning players is therefore good public relations.[12] Prosecution is very much a last resort only when there has been flagrant and repeated abuse of the rules; others claim that this achieves nothing that cannot be done by barring the offender from the casino. Tightening internal security to deter rule violation has been seen by most operators as a more effective way of dealing with the problem.

However, increasingly in the second-phase casinos, there has been a noticeable trend toward prosecution of "cheats" and of dealers and patrons accused of collusion. Operators are shifting greater responsibility on players to act strictly within the casino's rules and claim that by prosecuting offenders they demonstrate publicly that they themselves are beyond reproach. This development is more striking considering the fact that both operators and regulators have significant incentives to limit such prosecutions. The brief Australian experience suggests that an operator who adopts a punitive line with gamblers as a way of demonstrating integrity and honesty could face a hostile public reaction and considerable difficulty in gaining convictions. For example, Genting Berhard has sought government assistance to prosecute several offenders during the first six months of operations at its Adelaide and Perth casinos and has been criticized in the media and in the courts.

Regulation of casino operators has been a different matter. Here public information about rule violations is almost nonexistent and ambivalence is rife. Because the casino relationship is one of mutual dependence, regulators are still most interested in deterrence as a way of controlling corporate behavior. In some ways, the response can look much more like tokenism. For example, great weight is given to auditing, but studies of commercial fraud have shown that audits have real but limited value in the detection of fraud, and even less in its prevention. This is not to deny that regulators continually strive to strengthen the statutory basis for control, e.g. by specifying and extending licensing requirements as they did in the 1980s. Yet the types of possible law violations in casinos are so diverse that a large armory of sanctions is needed to compel compliance with government regulations. Although administrative procedures are widely acknowledged as preferable to prosecution, particularly when it involves the drastic steps of license withdrawal and court action, none of the states' regulatory systems offer an adequate range of less dramatic remedies which are less difficult to enforce.

So Where To Now?

An effective system of control does not necessarily have to be more punitive than a self-regulatory approach to casino controls. The main weakness in the current Australian system is the absence of mandatory administrative powers to complement the physical controls already in place. More to the point, improper arrangements, collusions and the intrusion of "organized crime" are most likely where activities are removed from open, accountable forms of social regulation. A wider range of practical penalties would still allow regulation sensitive to negotiated compliance, without undermining the integrity of lawful operations. But without the effective threat of a wider range of mandatory sanctions for knowing and substantial violations, the capacity for honest and responsible regulation is seriously undermined.

A partial solution to the problem of regulating commercially operated casinos may lie in the creative use of an escalating scale of administrative sanctions such as warnings, fines, preventative orders, and recovery agreements. Penalties such as enforced short-term closure of one section of a casino would strengthen the governments' hand in negotiations and encourage greater cooperation. Adverse publicity, in particular, could be used as a potent nonfinancial sanction because of its capacity to lower the prestige of a casino operator. Given the very limited range of formal controls which can be exercised over the financial activities of transnational corporations, and the fact that the casino industry depends on reputation for its very existence, the fear of international exposure of misconduct assumes extra significance. License withdrawal and criminal prosecution would still be available as the ultimate weapons should the range of other sanctions not achieve satisfactory compliance.

However, Australian governments are caught in a political "double bind." If ever serious doubts are raised about the level of political independence from private operators, a government could face public disapproval through the electoral system. If controls are so lax that the public suspects cheating or corruption, or if controls are applied too publicly or too often, governments may incur severe political and ideological costs. Because of their constant need for popular support, any public action taken by governments can pose a potential threat to political legitimacy.

Recent events suggest that Australian casino developments appear to be about to move into a third, more politicized phase of development. Despite the forecasts of a tourism-led boom, in the long term Australia is unlikely to become the hub of the international casino circuit. The anticipated economic bonanza from existing Australian casinos has not eventuated in some states, and the ambitious market objectives for the Sydney casino are being reassessed even before it has been built. Social and political costs associated with the industry also are beginning to surface. The vast majority of Australians have only the flimsiest knowledge of how casino controls work--but they do have firmly entrenched expectations of the regulatory powers of their governments and a long tradition of "public benefit" in gambling services. Culturally, there have been signs of dissatisfaction and resistance by Australian gamblers to open profiteering by commercial casinos, especially in games which have been a familiar part of the local gambling culture (two-up and blackjack). Many Australians are ambivalent about the impropriety of "cheating" at such games and have a strong cultural tolerance for "beating the house," particularly when it is a multinational corporation.

Attempts by casino operators to introduce overseas work practices could also create a headache for Australian governments. Labor disputes already have begun to appear, with a call for a national casino award to prevent exploitation of workers in the industry. Casino operators in America and Asia have been able to marginalize and fragment their workforce and see organized labor in Australia as a major problem. Yet Labor state governments, in particular, could be forced to defend the conditions of Australian casino workers, further aggravating tensions between commercial operators and regulators.

Other important emerging trends revolve around a clear movement by the federal government into the sphere of gaming regulation. There are two features of this more direct and interventionist role by the federal government into what historically has been a state domain. First, as in the United States, residual federal powers over gambling are being consolidated.[13] In the past, the federal role essentially has been one of ensuring as far as possible that the state governments and operators act with integrity in the national interest. Federal intervention has been minimal and episodic, more often than not in an advisory capacity to assist the states in controlling fraud, taxation and crime. It is significant that in a period of extreme conservatism and economic crisis, the federal government is increasingly intruding into casino controls around the law and order themes of "organized crime" and taxation reform. Forthcoming sessions of Parliament will introduce several new laws which either directly or indirectly will have implications for casino controls.

But the expansion of federal powers is also taking a more direct and involved approach than this: casinos are to be built on Christmas Island and in Canberra under the jurisdiction of the Federal Department of Territories; and there are plans for the national railway network to introduce poker machines on certain routes under federal jurisdiction. The political and regulatory implications of direct federal government activity as a provider and regulator of gaming will undoubtedly open up a Pandora's box of new conflicts, tensions, and contradictions.

Now that some of the contradictory commitments emerging from casino developments have become apparent, it seems an appropriate point to reconsider casino policies and other alternatives which might be available. Public scandals which erupted over the Sydney casino have fueled speculations that governments may be unwilling or unable to impose legal constraints on casino corporations and executives. Most significantly, the investigations into the applicants for the Sydney casino license still have been unable to sanction unqualified approval to any operator, even those holding licenses in other states. The controversy has aroused calls for the "Australianization" of the industry, to restore Australian casino gambling to national operators; other critics have overreacted, declaring that the casino proposal should be abandoned altogether. To its credit, the Unsworth government refused to be rushed into a hasty decision, insisting on a much more thorough investigation of potential operators. It also has taken advantage of the delay in the project to expand the range of regulatory sanctions which go part of the way toward the consolidation of political power to match the economic power of commercial interests.[14]

What is surprising, however, given the long successful history of socialized gambling in Australia, is that there have been no serious suggestions that Australian casinos be operated as public enterprises. The New South Wales government has been presented with a legitimate opportunity to reinstate political control over the Sydney project, should it proceed with plans for a casino. It would be more appropriate, and arguably in the public interest, for the government either to hold the license itself, as in South Australia, or to operate the casino, as in Austria.

Although operation by the government would be against the general tide of economic deregulation, there are several reasons why it could be a politically and economically palatable solution to the current dilemma. The newly elected New South Wales government has been given a clear political mandate to remove corruption from the state, a commitment which suggests that gambling controls will be tightened. State agencies such as the Lotteries Office and TAB have established an enviable record of efficient commercial management of large gambling enterprises. Furthermore, now that Australian governments have had over a decade of experience with the casino industry itself, a government-operated casino should not present the same practical problems of administration as it would have done in the 1970s. One possibility may be a dual government structure, with one agency charged with casino administration, monitored by a separate regulatory body with enforceable anticorruption powers. Both agencies should be subject to the ultimate public sanctions of effective parliamentary and electoral control.

What also is needed urgently is a more coherent casino control strategy at a national level and greater coordination between international regulatory bodies. Recently there has been a commendable move by all state governments to cooperate in identifying "what works" in controlling the casino industry. However, without an umbrella organization at the national level, or an agreed set of principles to guide casino policies, any attempt to establish an effective and coherent control system is undermined by the regional competition between the various states and the political commitment to casino developments as a way out of the current economic crisis.

The hidden risks in casino policies go far beyond the boundaries of individual jurisdictions. Attempts by separate state governments to influence and control the direction of casino developments by using political leverage in such matters as taxation, tighter legislation, and marketing controls fail to come to terms with macroeconomic issues. Stronger government interventions based on taxation, law, and regulation of internal operations--the prevailing modes of control over commercial activities--are a high-risk strategy which may achieve some short-term gains, but at the expense of long-term costs of withdrawal of investment and the political consequences which undoubtedly would follow. Governments may be able to intervene in the internal controls of a particular casino but do not have the strategic or legislative capacity to effect coordinated policies over the industry as a whole. Largescale investment by transnational corporations has removed ultimate control over Australian casinos from state authorities.

Yet responses by casino management to any issue ultimately depend on how the issue fits into global corporate strategies. When a casino corporation holds substantial equity in casinos in a number of jurisdictions, for example as Australian operators do, they not only move up the power gradient, they are able to balance losses and concessions in one casino with gains in another. State governments by comparison have little decisional autonomy if anything goes wrong, because of the paralysis of local political-legal structures and their impotence in the international sphere. The flexibility and mobility of transnational investment are features of the global casino industry beyond the reach of piecemeal, localized legislation. This is the weak plank of all localized regulatory strategies dealing with an international market.

The reluctance to come to terms with the global economic and technological power of the casino industry fuels illusions of achieving tighter controls within the existing market structure. While governments lack coordinated structures which enable them to seriously negotiate with the casino industry as a whole, they are taking far greater risks than they are prepared to publicly acknowledge. If the casino experiment in Australia has shown anything, it has demonstrated that the emergent concern in the area of casino policies is not the issue of whether the casinos are economically successful, but the appropriate purposes and adequate powers of the regulations.

Additional References

Frey, James H. "Labor Issues in the Gaming Industry," *Nevada Public Affairs Review* No. 2 (1986): 32-39.

McMillen, Jan. "Casino Gambling in Queensland: Prospects, Problems, and Paradoxes ," in Geoffrey Caldwell, et al., eds., *Gambling in Australia* (Sydney: Croom Helm, 1985), pp. 232-57.

------. "Policing Casinos in Queensland: Public Morality and Political Control," *Legal Services Bulletin* (April 1987): 57-61.

Notes

1. Jan McMillen and William R. Eadington, "The Evolution of Gambling Laws in Australia," *The Journal of International and Comparative Law* 8, No. 1 (1986): 167- 92.

2. Tattersalls is still the major gaming operator in Victoria, through its successful Tattslotto operations, and works in close cooperation with the state government.

3. See, for example, Queensland's Vagrants Gaming and Other Offenses Act (1890) and New South Wales Gaming Act (1950).

4. David Hickie, *The Prince and the Premier* (North Ryde: Angus and Robertson, 1985).

5. Connor Report, *Report of the Commission of Inquiry Into Casinos* (Melbourne: Victorian Government Printer, 1983).

6. Jan McMillen, "When the Chips are Down: A Comparison of Australian Casino Developments," in Michael Walker, ed., *Faces of Gambling. Proceedings of the Second Conference of the National Association for Gambling Studies* (Sydney: NAGS, 1986), pp. 17-34; and "The Other Revolution: The Legalization of Casino Gambling in Australia," Nevada Public Affairs Review No. 2 (1986): 65-69.

7. William R. Eadington, "Regulatory Objectives and the Expansion of Casino Gambling," *Nevada Review of Business and Economics* Fall (1982): 4-13.

8. David Meiers, "Eighteenth Century Gaming: Implications for Modern Casino Control," in James A. Inciardi and Charles E. Faupel, eds., *History and Crime: Implications for Criminal Justice Policy* (London: Sage, 1980), pp. 169-92; and "The Mismanagement of Casino Gaming," *British Journal of Criminology* 21 (1981): 79- 86.

9. Poker machines are permitted in the registered clubs in New South Wales and the A.C.T.; only the Northern Territory casinos have poker machines.

10. Jerome H. Skolnick, *House of Cards: Legalization and Control of Casino Gambling* (Boston: Little, Brown, 1978).

11. Similarly, the lack of "crime" in the first- phase casinos does not mean that there were no violations of the casino rules by patrons.

12. Since this article was written, a political scandal has erupted over an incident which occurred during the first weeks of operations at Perth's Burswood Island Casino. A violation report revealed that the casino management permitted the prime minister, Bob Hawke, a keen gambler, to play blackjack with more favorable odds than the rules allowed.

13. I. Nelson Rose, *Gambling and the Law* (Hollywood: Gambling Times, 1986).

14. In March 1988, the Unsworth government was defeated in the state election by the Liberal party led by Nick Greiner. Greiner immediately declared his intention to abandon the Darling Harbour casino project.

Betting Shops and the Law in Britain

*by Christopher R. Hill**

Introduction

In this paper I trace the history of horse-race betting shops in Britain, which were first legalized in 1960 though they had long flourished illegally. I touch briefly on the financial structure of the racing industry and go on to describe the recent liberalization of the regulations governing betting shops.

I then examine the consequences of this liberalization, and finally I conclude with some remarks on Sunday racing and gambling, which are at present illegal but which may soon be introduced to a strictly limited extent.

Betting Before 1960

Until 1960 most off-course betting in Britain was illegal. A bet placed by telephone on a credit account was legal, but could, of course, only be placed by a person with access to a telephone and regarded by his bookmaker as creditworthy.

The legal position was, however, very widely disregarded by the population at large and by bookmakers, none of whom could understand why a perfectly harmless activity should be regarded as illegal. Even the Racecourse Betting Control Board, a most respectable body set up in 1928 to manage totalizators on course, used ingenious devices to get around the law forbidding it to include off-course bets in the on-course pool.[1]

Illegal betting took a number of forms. In the south of England bookmakers commonly employed "runners" to take bets for them in the street. The runners would then take the money back to the bookmaker, who generally sat in an office which was not open to the public, and trusted his runners not to "welsh" (that is, to make off with the takings) because they were employed on commission.

Runners were to be found in all sorts of places, including factories and hospitals. One minister has said that there was even a runner in the Home Office, whose services were used largely by ministers and office messengers, but not by the civil servants, who tended to disapprove of such futile amusements as betting.

In the north of England and in Scotland, bookmakers tended more towards betting shops, and in Scotland the shops, although illegal, appear virtually to have eliminated street betting. Betting shops had been legalized in Northern Ireland in 1957. One MP was to comment, in the debate on the Betting and Gaming Bill, that he had found them dingy and unpleasant, and added, rather patronizingly, "Like so much else one finds in Ireland, they are quaint places."[2]

Illegal betting shops, like street betting, constituted an invitation to the police to be corrupt, an invitation which the force appears to have accepted with enthusiasm. Practice differed, however, even between towns that were quite close together. In some towns, bookmakers were permitted to operate without strong constraints, and in others, they were not tolerated at all.[3]

In 1951, a Royal Commission recommended that off-course cash betting be legalized.[4] As is so often the case with Royal Commissions, follow-up action was slow, and was further delayed by the war of 1939-45. However, in the 1950s the feeling grew that something must be done, and there ensued long negotiations between racing interests, the bookmakers and the Home Office.[5]

In retrospect, it seems strange that the leaders of racing did not press for a Tote monopoly of off-course betting, whose profits could have been used for the benefit of the *industry*, as some people were already beginning to refer to what had once been simply the sport of racing. There were a few who did, notably the Hon. J. J. (later Sir John) Astor, who was a member of the House of Commons (but was unfortunately not elected to the Jockey Club until some years later), and his brother, Viscount Astor, who was able to stimulate debate in the House of Lords. But by the mid-1950s it had become clear that a Tote monopoly was politically a non-starter, and the Astors switched their attention to promoting the case for reviving the industry by means of a levy on bookmakers.

Perhaps if the Jockey Club, the body which has administered British racing for over two hundred years, had pressed for a Tote monopoly, it might have succeeded. It was, and to quite a considerable extent remains, a body of rich and influential men (and a few women since 1977) who could undoubtedly have exerted political pressure. The only explanation I have been able to find for their failure to try was that they enjoyed sparring over the odds with their bookmakers, often colorful and amusing characters, and would have derived little pleasure from dealing with a machine. But the explanation is incomplete, because the great men of racing could surely have realized that it would have been possible to retain on-course bookmakers while pressing for a Tote monopoly off-course.

---

* Christopther R. Hill is a Senior Lecturer in Politics at the University of York, England.

The Jockey Club did, however, use its political clout to achieve a less lucrative goal, namely a levy on bookmakers for the benefit of racing. (Initially the levy was paid on profits, but the comparative ease with which it could be avoided led later to its being paid on turnover.) The Jockey Club made it clear that it would not support (and by implication that it would frustrate) any legislation to legalize off-course betting which did not also provide for a levy. The results were two acts of Parliament, the Betting and Gaming Act of 1960 and the Horserace Betting Levy Act of 1961.[6] The latter set up the Horserace Betting Levy Board to administer the levy, and re-established the Racecourse Betting Control Board as the Horserace Totalisator Board, still known familiarly as the Tote.

During the long negotiations of the late 1950s, bookmakers reluctantly became convinced that some form of levy would have to be introduced, though they naturally did not like it. Nor were all of them in favor of betting shops--some preferred the legalization of street betting--but all were relieved that their professional activity was at last to achieve legality.

R. A. (later Lord) Butler, who narrowly missed becoming prime minister after Harold MacMillan, was the Conservative home secretary responsible for the acts, though he left most of the hard work of piloting them through the House of Commons to his junior ministers, David (later Lord) Renton and Denis Voper (later Lord Runcorn). It was Butler's ambition to go down in history as a great reforming home secretary. He had made a start by getting the prostitutes off the streets;[7] now he intended to do the same with the bookmakers. (Later, however, he did not regard the betting legislation as one of his great successes; he says very little about it in his autobiography.[8])

The debates on the Betting and Gaming Acts were enormously long, partly because until then rather little had been generally known about the wide variety of existing illegal bookmaking. The government insisted that although it had no wish to prevent adults from gambling it did not wish to encourage them to do so, nor to encourage "loitering" or continuous betting. Hence, there were detailed regulations governing bookmakers' advertising, the material which might be displayed inside their shops, and the facilities offered. Music and dancing were explicitly forbidden (perhaps the latter was no great loss, as the betting shops' clientele has turned out to be largely male) and even the sale of a cup of coffee was forbidden.

Even at the time, the restrictions excited derision. As Reginald (later Lord) Paget, a right-wing Labor MP, put it, the notion that betting offices (as betting shops are known in official parlance) should be uncomfortable ". . . is on a par with an epigram I once found in a Victorian tract to the effect that conjugal bliss was all right so long as both parties wore long combinations."[9] However, this puritanical approach was the result less of ministers' attitudes than of their civil servants', for the officials tended to be rather grey men who disapproved of gambling. They disliked the upper class and autocratic image of the Jockey Club and therefore had no great opinion of the sport. The result has been that betting shops have usually been functional but generally austere and uninviting--not palaces of vice, but depressing, often dirty, and even sleazy.

Ministers can, therefore, argue with conviction that they have not encouraged people to gamble, but merely made it possible for those who have made the decision to bet to do so legally. This is still the line taken by Douglas Hurd, the present home secretary, despite the reforms that he has introduced, as we shall see.[10]

The governmental attitude is also not untinged with hypocrisy. It did nothing to oppose Lord Wigg when he made continuous betting possible, when, as chairman of the Horserace Betting Levy Board, he arranged with the racecourses that races would start at quarter-hour intervals. Thus, if there is racing at two courses on the same day, the races at course A will start at 2 p.m., 2:30, and so on, and at course B at 2:15 and 2:45. Furthermore, very soon after betting shops were legalized the government began to place a tax on betting (known as betting duty), which was eventually introduced in 1966. (A betting tax had first been tried in 1926 by Winston S. Churchill, but, in the absence of legal off-course betting, it had been a fiasco. The 1966 tax would have come sooner had the government not been advised that a reasonable interval should be allowed between the introduction of the levy, and a further imposition on bookmakers.) Wigg, when he was sent to the levy board in 1967 by the Labor prime minister, Harold Wilson, understood that he was responsible not merely for the levy, but for betting duty as well. Indeed, the two are inextricably entwined. The more gambling, the more tax; and the more gambling on horses the more levy. (Gambling on greyhounds, Miss World, etc., is exempt.)

The Finance of Racing

By international standards the revenue raised by the levy board is derisory (231 million pounds in its first quarter century, 1961-86) and becoming less important with the growth of commercial sponsorship. Nevertheless, racing is fortunate in having what amounts to its own private tax system--a privilege for which greyhound racing has long fought unsuccessfully--and is probably better off than if it had to take its place in the queue for more orthodox governmental handouts with all the other deserving causes.

Very naturally, however, racing people look enviously at the far greater prosperity of their sport in, to take only two examples, France or Hong Kong. For many years there has been a virtually unanimous demand that the government put back into racing some of the money taken out in the form of tax. The argument has cut little ice with civil servants, and probably not much with their political masters, partly no doubt because, at about 290 million pounds, the egg is not especially large, particularly when compared with the over 4,000 million pounds raised in tobacco duty.

The racing lobby has, however, achieved some successes. First, the off-course duty has never risen above 8 percent;

secondly, the 4 percent on-course duty was removed completely by the 1987 Finance Act; thirdly, many of the restrictions on betting shops have been removed; fourthly, the government has shown itself ready to support Sunday racing. These subjects interlock, and I shall now say something about each of them.

Betting Duty

The limitation of off-course betting to 8 percent is, of course, a negative achievement, and no one can say to what extent the racing industry's annual deputations to successive chancellors of the Exchequer have caused them to refrain from further increases. It has, however, become fairly generally accepted that anything much above 8 percent would encourage illegal betting and so defeat the tax's purpose. The extent of illegal betting is, not surprisingly, unknown, but is often put at about 15 percent of the total. Cases are brought to court from time to time by the Board of Customs and Excise, but not as frequently as might be expected, because of the difficulty of obtaining firm evidence.

The removal of the 4 percent on-course tax has been a triumph, though it will not necessarily improve the racecourses' finances by increasing gate money. Everything depends upon whether punters who have in the past been deterred by the 4 percent tax from betting on course will now decide to go to the races. However, anecdotal evidence suggests that the small-time punter who bets for amusement has in the past not been deterred by the tax any more than those who bet in betting shops have been deterred by the 8 percent tax, which, once levy has been taken into account, causes most bookmakers to make deductions of 10 percent from stake and winnings.

The result may be an increase in the number of professional punters who bet on course, but their number will not be great. More speculatively, it is possible that betting-shop devotees will be tempted to go to the races instead, thus increasing the amount gambled on-course, and helping to ensure a healthy on course market. A small market on course means that it is disproportionately influenced by the off-course money "blown back" from the betting shops, and that operation in turn influences the starting price (SP). (The SP is decided immediately after a race by two journalists who examine the prices offered by the major bookmakers on course and announce what they take to be the prevailing odds.) This SP in turn governs the pay-out to successful punters in betting shops all over the country. A healthy on-course market is one in which sufficient money is bet by punters on course to inhibit the (perfectly legal and above board) manipulation of the SP by the major chains of betting shops.

The health of the on-course market will also be affected, but in the contrary direction, if the newly improved conditions in betting shops are so attractive that punters, who might otherwise have invested time and money in going to the races, decide to stay comfortably in the betting shops instead.

Recent Changes in Betting-Shop Regulations

In 1984 the Betting, Lotteries and Gaming (Amendment) Act was passed. The bill had been introduced by Sir Ian Gilmour, a former minister in Mrs. Thatcher's government, with the Home Office's approval. It empowered the home secretary to make regulations governing the facilities in betting shops, of which the most important was television, and further regulations regarding the signs which betting-shop proprietors might display inside and outside their shops by way of advertisement. The first set of regulations was considered of sufficient public interest to be subject to the positive resolution procedure--that is, it needed Parliament's positive approval. The second set was subject to the less demanding negative resolution procedure--in other words, it became law after a period, unless objected to.

Both notices outside betting shops and conditions inside had been minutely regulated, in some respects to the point of absurdity, by the 1960 act. A good many reforms had been proposed by the Royal Commission on Gambling in 1978,[11] but again, as is the way with Royal Commissions, many of its recommendations were shelved. However, following the Gilmour Act, the Home Office issued a consultation document in February 1985, setting out the government's tentative ideas and inviting comment from interested parties.[12]

As one might have expected, the government's thoughts were far from revolutionary, partly, no doubt, because it was well aware of the strong convictions of the antigambling lobby. The document emphasized

> . . . the long standing policy of not stimulating demand for betting facilities. The Government therefore rules out any changes which would turn betting shops into some form of general leisure centre, with cabaret and other entertainment. Equally there can be no question of allowing other forms of gambling in betting shops. The Government's policy is to avoid mixing different gambling activities in order to avoid stimulating demand.[13]

This passage echoed the argument of a letter to *The Times* by Dr. E. Moran, writing as chairman of the National Council on Gambling, in which he pointed out the dangers of "creating an environment which leads to heightened emotion in which excessive gambling can quite easily occur." He went on to issue a warning against encouraging an atmosphere like that of a casino: "Clearly, if betting offices are to be allowed to take on the characteristics of a casino, similar strict controls and monitoring should be applied."[14]

Dr. Moran was even nervous about the effect of television in betting shops, and was answered by Tom Kelly (director general of the Betting Office Licensees' Association, or BOLA, an association dominated by the larger bookmakers, which broke away from the National Association of Bookmakers in 1973), who pointed out that in the twenty-five years since the 1960 act, television had lost its novelty, and that betting shops were already strictly regulated, with their licenses renewable annually.[15]

The rather kill-joy tone of the consultation document extended to the displays that betting-shop proprietors might place in their windows: for example, pictures of horses or greyhounds. They would be allowed so long as they did not move! This meant that television could not be allowed if it were visible from the road, but inside the shops the government was disposed to permit it. There was, however, no intention to allow a betting shop to turn into anything like a cinema, so the betting shops would be confined to showing sporting programs, and the size of the screen would be restricted. Finally, light refreshments were to be allowed, but not restaurant-style facilities that might be attractive enough to induce people to bet who would not otherwise have done so.

On July 19, 1985, the Home Office announced[16] that regulations were to be laid before Parliament in the autumn, very much in line with the consultation document. A betting-shop licensee would be allowed to display basic information outside the shop about himself and his business, as well as static window displays; restrictions on internal displays were lifted. Non-alcoholic drinks, confectionery, and biscuits, but no other food, could be served. Any number of television sets could be installed, but the screens could not be more than thirty inches wide. If the proprietor did not subscribe to an existing service it would be his responsibility to switch the set off when nonsporting programs were being shown.

On November 19 the draft statutory instrument on television and refreshments was laid before Parliament and came into force the following March. The regulations on displays did not require specific parliamentary approval and came into force at the same time.

Consequences

Once the cumbrous processes of the law had rolled on, it was possible for plans to go ahead with the sale of edited programs to betting shops, and to open the question of racing on Sundays. Both these developments (the second has not yet happened) would make it possible for racing to gain further approval from the government by practicing the Thatcherite philosophy of self-help. This in turn means that the center of racing's financial concerns has begun to shift away from the traditional preoccupation with extracting from government some of the tax paid on betting, and agitating for a higher rate of levy as well, to the questions of how the actuality of television in betting shops and the possibility of racing on Sundays may best be exploited.

Hitherto, racing had been televised only on the national networks, with which the major racecourses had advantageous contracts. Once television was allowed in betting shops it became clear that there was a market for far more than was shown by the networks, since the betting-shop punter would want to see it all afternoon and every afternoon (and no doubt in the evening if the law allowed it). This in turn opened the way to gain for the smaller racecourses, which had not been important enough for the networks.

Very wisely, all the racecourses allowed the Racecourse Association (RCA) to negotiate on their collective behalf, although the larger courses also continued to negotiate separately with the networks. What the racecourses had to sell was the copyright in the pictures transmitted, but to put a value on it, and to negotiate on behalf of so disparate a constituency, were no easy tasks for the RCA.

Two consortia of buyers emerged. At first the front runner was one led by Extel (the Exchange Telegraph Co.), the company which delivered the race commentary via the "blower" to the betting shops. However, in the end, its rival, Satellite Information Services (SIS), which had worked hard to anticipate the new market and had unveiled its plans at the annual Bookmakers' Show in October 1985, made an offer the RCA could not refuse. General Sir Peter Leng was quoted as saying that the new contract might produce 25 million pounds over the first five years.[17] More recently an SIS spokesman has said that 10 million pounds is guaranteed over the first three years, and that payments should reach 20 million to 25 million pounds over the first five.

The composition of SIS has more than cause for concern, since it is dominated by the "big four" bookmakers, which, between them, own over a third of Britain's 10,300 betting shops. Fifteen percent of its shares are held by Ladbroke's, 10 percent each by Coral's, Mecca, and William Hill's, 10 percent by the RCA, and 5 percent by the Tote, itself a large bookmaker, as well as the sole operator of pool betting. The remaining 40 percent is to be allocated to institutions.

Although this carefully worked out formula does not give the big four absolute control, it does give them very great influence, and there have naturally been suggestions that it is unwise for the large chains to have so large a measure of control over the information given out to their customers.[18]

There have also been fears, probably well-founded, that the proportion of greyhound racing shown, which at present accounts for nearly 20 percent of betting-shop turnover, will increase, with an adverse affect on the levy, which is payable only on horse racing. Small bookmakers, too, have protested at the cost of the service (equivalent to an additional 7.5 to 10 percent of their turnover), while recognizing that they can hardly do without it. Nevertheless, according to the SIS spokesman, 80 percent of betting shops have already expressed their willingness to take the service. In addition, SIS estimates that it will sell three hundred to four hundred systems to customers other than betting shops, though it will have to take extreme care to ensure that they are not to be used for illegal betting.

The racecourses are of two minds about the new arrangements. On the one hand they recognize the new injection of funds as manna from heaven; on the other, they wonder if they have sold their birthright too cheaply (as Louis Romanet, director general of the French Société d'Encouragement has argued)[19] and fear that more comfortable betting shops will reduce attendance. On the latter point there is no hard evidence yet, although SIS argues strongly that increased television exposure leads to increased attendance, not to defections. Meanwhile, it seems that betting-shop turnover has increased significantly since the appearance of television.[20]

Sunday Racing

The other great challenge facing the racecourse is Sunday racing. At present this is ruled out by the Sunday Observance Act of 1780, which forbids an organizer of Sunday sport to charge entrance fees, on penalty of being treated as the keeper of a disorderly house (a brothel). Clearly, no senior steward of the Jockey Club is going to risk such a fate, although most major sports already evade or ignore the act with impunity.

Betting on Sundays for cash, but not on credit, is also illegal. Some racing people have suggested that Sunday racing might be held without any betting, or without any betting except on-course (even this would require a change in the law), but both these solutions have been rejected by the Jockey Club's working party on Sunday racing, which was convened in January 1985 and published its report in January 1987, overlapping with the gestation period of the home secretary's new regulations. The solutions have also been rejected by the government, its reason, like the working party's, being that they would encourage illegal betting.

The working party recognized that there were grave difficulties ahead if racing and gambling were to take place on Sundays. The churches' objections could not be ignored, and there would be difficulties with the work force (the most important union involved is the Transport and General Workers' Union). The committee recommended that a campaign for changes in the law should be started, but it was aware

> that a good deal of explanation, consultation and lobbying will be needed before we can expect Parliamentary support for legislation to allow betting on Sunday. We are mindful of the Home Secretary's view that all the preparations need to be soundly carried out if Sunday racing is to become a reality.[21]

In addition, the bookmakers are not unequivocally in favor of Sunday racing. The National Association of Bookmakers seems to have dropped its earlier reservations, but the Betting Office Licensees' Association (BOLA) emphasizes the possible difficulties with the trade unions. (It may also have in mind the fact that many of its betting shops are in business areas, which are barely populated on Sundays.) On the other hand, if there is to be Sunday racing, BOLA's members will naturally not wish to cut themselves off from its benefits.

A crucial factor is the attitude of the home secretary, Douglas Hurd, because, although he tries to keep racing at arm's length (in the administrative sense; personally he enjoys it), he is the minister ultimately responsible for the Tote, the Horserace Betting Levy Board, and gambling in general. He made it clear at the Gimcrack Dinner in York on December 9, 1986, that he was in favor of Sunday racing, but his fingers had been badly burned earlier in the year over the unsuccessful Shops Bill (which had sought to lift restrictions from Sunday shopping) and he believed that a campaign to gather public support might take some years. Here he anticipated the report of the working party (with which he and his officials had been in close touch) as he did when he came down against Sunday racing without betting.

As it has turned out, events have moved more swiftly than had been expected. On May 11, 1987, the influential and ebullient Lord Wyatt of Weeford (formerly Sir Woodrow Wyatt), the Chairman of the Tote, initiated a short, late-night debate on Sunday racing in the House of Lords. He elicited from the government spokesman, the Earl of Caithness, the response that the government might be able to support a Private Member's Bill, if one were to be introduced, and that he could see no reason for Sunday betting or racing not to be allowed. Perhaps curiously, no bishop was present at this debate. As "Jack Logan" commented in his usual forthright style:

> I find the absence of the spiritual peers from the Chamber most odd since I thought that they were prepared to fight down to the last curate to keep Sunday as joyless as possible for as many as possible.[22]

Lord Caithness had made it clear that the government would test the water through a Private Member's Bill but would not take the risk of introducing its own legislation. Lord Wyatt responded swiftly. Very soon after the general election he had his Sunday Sports Bill ready (with help from the Home Office) and, once the formality of first reading was out of the way, it received its second reading on July 15, 1987. It passed this stage without a vote, though there were hostile speeches from the Bishop of Leicester and Viscount Brentford, the chairman of the Keep Sunday Special Campaign against the 1986 Shops Bill. The real opposition, however, is likely to be deployed when the bill moves to the House of Commons, where it seems probable that the nub of the debate will be the number of Sundays on which betting shops are open, and their hours. These points seem open to compromise, especially as the Jockey Club wants to start with only six or seven Sunday fixtures a year, rising perhaps to twelve.

It does, therefore, seem a reasonable bet that in the fullness of time, Britain will follow the example of the Republic of Ireland, where Sunday racing was introduced in 1985, and join all the other major racing countries, except New Zealand, in allowing fans to enjoy their sport on Sundays.

Conclusion

We have seen that the home secretary's regulations to permit a small degree of liberalization of conditions in betting shops had a slow birth. They are hedged about with caution, but from them much has flowed. Now the emphasis in the finance of racing has shifted from seeking an increased rate of levy plus the return to racing of some of the tax taken out of it, to the kind of self-help dear to the Thatcher government's heart. A major financial restructuring of the racing and gambling industries is already under way, thanks to the deal done between Satellite Information Services and the Racecourse Association, and this should gather momentum if the move for Sunday racing is successful.

* * *

Notes

1. For a fascinating account of the origins of the Tote, see Racecourse Betting Control Board, *First Annual Report and Accounts 1929*, HMSO, April 29, 1930 (H.C. 116).

2. Eric Fletcher, speaking at the committee stage of the Betting and Gaming Act, 1960. *H.C. Deb., Standing Committee D*, col. 211, February 2, 1960.

3. Charles Longbottom, ibid., *H.C.* Deb., col. 85, December 10, 1959.

4. Royal Commission on Betting, Lotteries and Gaming, *Report* (Cmd. 8190), 1951.

5. I have gone into these negotiations at length in my forthcoming *Horse Power: The Politics of the Turf*, Manchester University Press. I am greatly indebted to the National Association of Bookmakers for access to relevant documents.

6. The acts were subsequently consolidated in the Betting, Gaming and Lotteries Act, 1963.

7. Street Offenses Act, 1959.

8. R.A Butler, *The Art of the Possible*, Hamish Hamilton, London, 1971.

9. *H.C.* Deb., Standing Committee D, col. 45, December 8, 1959.

10. For an interview with Douglas Hurd, see C. R. Hill "A View from the Home Secretary," *Pacemaker International*, September 1986, pp. 94-7.

11. Royal Commission on Betting, Lotteries and Gaming, *Report* (Cmd. 8190), 1951.

12. *Possible Changes in the Law Affecting Betting Shops: a Home Office Consultation Document*, February 1985.

13. *Ibid.*, para. 5.

14. *The Times*, London. December 5, 1985.

15. *Ibid.*, December 7, 1985.

16. Home Office, *News Release*, July 19, 1985.

17. *The Sporting Life*, London, September 30, 1986.

18. These fears are examined in some detail in "The new fears for the integrity of racing," *The Times*, London, February 18, 1987.

19. *The Times*, London.

20. *The Sporting Life*, London, September 3, 1986.

21. *Report of the Jockey Club Working Party on Sunday Racing*, London 1986, para. 6.6.

22. Jack Logan (pseudonym of Sir David Llewellyn), *The Sporting Life*, May 22, 1987.

Legalizing Gambling as a Weapon to Combat Illegal Gambling in the Netherlands

*by Bernard Polders**

Introduction

The Netherlands, a small country situated west of Germany on the North Sea coast, has a population of well over fourteen million people. It is a rich country, a modern welfare state with a wide range of social security elements.

In this country a large range of gambling possibilities is available, including a state lottery founded in 1726. Currently, there are five European-style casinos in the Netherlands, offering the popular games of blackjack, baccarat, punto banco, and American and French roulette. Slot machines were installed in 1986, and the casinos planned to attract about two million visitors in 1987. The most popular casino among the three located on the Dutch coast attracts about 3,000 visitors on weekend days, making it one of the largest in Europe. The total gross earnings of the four largest casinos is $80 million U.S. per year, and the average win from each guest is approximately $60. Since the casinos are operated by a nonprofit organization (Nationale Stichting Casinospelen), all profits flow to the government. In the years to come the organization is planning to open five new casinos, one of which will be a large one in Amsterdam.

The current Dutch legislation on casinos and games of chance was drafted more than twelve years ago after a comparative study of other countries. We could not copy existing setups because of the different legal systems. Under the law, exploiting games of chance in the Netherlands is prohibited unless a license is granted. Such licenses can only be granted to a single organization operating on a nonprofit basis, and any profits must be channeled either to charities or to the government. Consequently, the casino organization is strictly supervised by the government. Control is maintained by the Board for Casino Games, which advises the government on all casino matters and is in charge of supervising the casino organization.

Legalization of casinos in the Netherlands can be attributed to at least two major reasons. One concerns illegal gambling houses. As in many countries, we had and still have illegal gambling, and efforts to eliminate the problem have not always been successful. Complicated rules still allow clubs to invoke legal loopholes when creating quasi-skill gambling games. The other reason for establishing casinos in the Netherlands, and for letting them flourish, is part of a general policy to make the country more attractive to both tourists and businessmen. Most people visiting our country come for reasons other than gambling, yet casino gambling is now practiced worldwide and is accepted social amusement in many countries. We have taken the same attitude.

The Board for Casino Games

As mentioned above, the Board for Casino Games both advises the government and supervises the licensed casino organizations to ensure that they act in compliance with the law. In addition to a chairman, appointed by the queen, the board comprises six members and two secretaries appointed by the government, and six public servants who act as nonvoting consultant members. The government attaches a comprehensive set of requirements to the license. Among these requirements are a number of regulations concerning organization and financial management. The main reason for setting up such a board with its independent members can be found in the subtle and sensitive issues concerning gambling. As in many other countries, the feelings and attitudes toward gambling in the Netherlands are ambivalent. Gambling is often associated with risk taking, which some groups view as an anti-social and even sinful activity. Consequently, casinos in the Netherlands are strictly controlled regarding not only the fairness and honesty of their games, but also the advertising and growth of their activities.

This careful policy is not unique to the Netherlands. Some countries forbid advertising altogether and hold to a gambling policy of what is known in the United Kingdom as "unstimulated demand."

In one respect, casino regulation in the Netherlands is different from that in most other countries. Unlike most other jurisdictions with casinos, we have no permanent, direct supervision by civil servants on the casino premises themselves. Cooperation between the board and the industry is based on the fact that only one casino corporation is licensed and that management is appointed by the government. Because of the close cooperation and government involvement, there is no external control on the casino floor itself.

Problems in the Casino World

The legalization of casino gambling has made casino games more acceptable to the public, and for large parts of the population, going to a casino has become a normal leisure activity. With only three casinos in operation in the Netherlands a few years ago, some clever but dubious entrepreneurs took advantage of the growing popularity and imported from Germany a quasi-roulette game that was supposed to be a game of skill. This game is called "Golden Ten" and is played with a stationary wheel and a very slow-rolling ball. By observing carefully, a player might be able to predict the course of the ball. Organizers of this game made use of our complicated gaming law, in which the definition of "gamble" is rather vague and the subject of much jurisprudence. The current legal position about this definition is that the outcome of the game for many players is the conclusive factor when determining whether a game is a game of chance or a game of skill. Thus, if a prosecutor wants to bring a case to trial, he must engage in observations over several days, involving many players, to collect sufficient evidence to prove the gambling element. (The burden of proof is in establishing that the game is in fact a game of chance, which would be illegal unless licensed.)

---

* Bernard Polders is Secretary of the Board for Casino Games in the Netherlands.

Two reasons account for the prosecution's reserved attitude during such cases in past years:

1. The first criminal proceeding that was brought to court was unsuccessful because it was not treated seriously enough by the police.
2. The game and circumstances look harmless.

Now, after several years of successful operation during which casino club operators have been relatively undisturbed by the police, a third reason has come up: The number of unlicensed casino clubs has expanded to more than 150 in the Netherlands, a significant number in a small country. These establishments generate at least as many visitors and as much revenue as the legal casinos. A law being violated to that extent makes law enforcement officials and politicians nervous, but other priorities prevent a steady struggle or a major battle on the issue. The feeling that Golden Ten is a harmless game with small stakes still persists in many circles.

Solutions

As is universally known, in the Netherlands we have very strong feelings about the rights of the individual. A reluctance to enforce the law on Golden Ten is an example of what one Dutch sociologist has called "repressive tolerance." Last year the government advocated the policy that enforcement against such small crimes is usually too expensive, proportionally speaking, and therefore prevention of crime through legal competition is now advocated. In this view, a legal organization would compete by setting up smaller casinos near the illegal ones. The first reaction to this new policy of the Board for Casino Games was a simple one: the law on gambling would have to be made more liberal. The simple economic laws of demand and supply should work in the gambling industry too, perhaps resulting in more commercial casino gaming.

It is clear that the problem of compulsive gambling should not and cannot be ignored. The most critical question for the board is: Can we create a gambling policy that opens possibilities for more casinos with a better distribution over the country in order to replace or prevent widespread illegal gambling without increasing the compulsive gambling problems to a politically unacceptable level?

How will these problems be attacked? First, in 1986 a university in the Netherlands carried out a major research program on gambling. This program incorporated a literature study, a nation-wide attitudinal inquiry, and brainstorming sessions that included gambling experts in the Netherlands and experts on pathological gambling and the behavioral sciences. The complete results were to be made public in the fall of 1987.

This research program has a far-reaching and ambitious goal. First of all, we are trying to learn from research in other countries. One of the most important suppliers of data was the Sixth International Conference on Gambling and Risk Taking in Atlantic City in December 1984. Through this conference, we were informed of research programs and literature relating to compulsive gambling in the United States. Moreover, it was important for us to learn something about the gambling behavior and gaming preferences of our fellow Dutchmen. Our ultimate goal was to be reached in the fall of 1987 with compilation of relevant data about compulsive gambling in the Netherlands now and for the foreseeable future.

Views of the Board

Because the Board for Casino Games had not, as of August 1987, completed its deliberations, some of the following viewpoints are subject to change. However, in the meantime, with the knowledge of the provisional results of the research program, we started a discussion on a new casino policy in early 1987. Our premise and conclusion until now has been that there is no use in creating a policy for casino games only. In our view all the so-called short-odds games have to be reviewed and taken into consideration when creating a new policy. To clarify this conclusion, I must provide you with more details. (An interesting comparison can be made with the Australian situation of "fragmentation of government bodies," as Jan McMillen calls it in her article, "The Other Revolution: The Legalization of Commercial Gambling in Australia," *Nevada Public Affairs Review* [1986, no. 2, pp. 65-69].

In the Netherlands, we have short-odds betting in the form of track and off-track betting, bingo and keno, slot machines, and of course, the games in the casinos. Apart from illegal gambling in the quasi-roulette clubs (Golden Ten), we also have a commercial bingo industry. By law, bingo is only permitted when it pays off with small prizes for charity. The commercial bingo operators in our permissive society are restraining themselves and promote bingo as a harmless and honest game.

Horsebetting, including off-track betting, is now available all over the Netherlands. This is legal and is operated on a very commercial basis. Nevertheless, there are no existing regulations or rules for bingo and horsebetting, nor are there any existing policies comparable to those that govern casino games. For example, apart from a few fragmented and outdated rules, there exist no admittance regulations for minors, no rules for advertising, and no regulatory body for supervision.

An integrated policy on short-odds wagering opportunities is necessary because these types of games are in the risky front line of compulsive gambling. (We have learned this fact from other countries as well as from our own research program.) For this reason, the board will firmly say "no" to the idea of additional legal casinos as an answer to the illegal casino clubs. Our fear is that all problems will then be focused on the casinos. Only in the casino world (as compared to the rest of the gambling world) can we have a sound structure with social and political supervision, with rules to prevent compulsive gambling, and with a program to learn more about pathological gambling behavior.

In this respect, we expect that knowledge and frankness will work for us. The Board will therefore be the strong advocate of new, modern gambling regulation for all short-odds games. Fine examples of such regulation can be studied in many jurisdictions all over the world.

A New Gambling Policy?

How will casinos fit in a new gambling policy? One current idea is that all short-odds gaming should be looked upon with more or less the same rules. There should be a central board or commission for licensing and supervising all gaming. In our view, with regard to casinos, possibilities should be created for more casinos generally and for more small-sized clubs. I say more, because the existing casinos spread over the country are obviously not sufficient, in view of the number of players at the illegal clubs. Small-sized casinos will be necessary for marketing purposes. We will have to offer casino games in all major cities in the country in order to prevent continuation of the illegal clubs.

Let there be no misunderstanding. It is not and will not be the Board for Casino Games that is responsible for the marketing of casinos, but rather the legal casino industry itself. We are just trying to open a window in the relatively closed gambling policy. We hope to create possibilities for the industry within the limits of certain conditions.

As mentioned before, our casino industry at present consists of one nonprofit organization. However, the board's mind is open to other forms of operation than a nonprofit monopoly. We are studying the alternatives of more than one organization operating on a commercial basis. That means that we do not exclude in our thinking the transformation of the now existing legal casino organization into a fully commercialized industry. The extent to which new licenses will be granted to other operators has to be studied and agreed on by the legislature. Extremely important are, of course, the new conditions for the casino operators. In our view the conditions, the rules, have to be rather specific because we are talking about casino games. There is no need to say that casino games and certain rules imposed by the government are twins. However in contrast with fifteen years ago, the starting point at creating new rules must nowadays be, "what is imperative" rather than "which rules are possible."

In our discussions in the summer of 1987, we started with three basic principles:

1. The prevention of fraud and crime;
2. The prevention of compulsive gambling; and
3. The protection of the players against swindle.

The first and third objectives are more or less technical and will not cause political or other kinds of problems. The prevention of compulsive gambling is a completely different issue. It is different because it is clear that with prohibition of gambling in a jurisdiction, society reaches its limits. We have seen these limits in the 1920s in the United States with attempted prohibition against alcohol, and we do not consider this as a viable option with respect to gambling for the Netherlands. On the other hand complete freedom of gambling would not be accepted by modern Dutch society.

What is the golden mean? With the help of the research program on compulsive gambling we will try to reach a balance between what the gambling market demands and the extent to which our society accepts the supply. At this moment, I can say that we are strongly attracted to the system of the United Kingdom, which is dominated by the premise of "unstimulated demand." In other words, when demand is clear (i.e., the existence of illegal casinos), a license will be granted. But how we can prevent stimulation, and how we can control the demand for gambling, is not yet filled in. The alternatives could include a complete ban on advertising, or constraining rules.

All these matters will have to be worked out in the board's deliberations in the future, not only for casinos, as I said before, but for all short-odds gambling. The Board for Casino Games believes in an integrated policy for all of these games that are regarded as dangerous in relation to compulsive gambling. We feel in the Netherlands that we are playing with political and sociological fire when we discuss gambling as a general leisure activity. But playing with this kind of fire and coming up with reasonable policies is, for most of those involved, the reason why they are in their positions.

The Dutch Gamble: A Strategy for the Expansion of Legalized Casino Gambling in the Netherlands

*by William N. Thompson**

Introduction

This paper offers a case study of casino policy and development in the Netherlands. The case presents an appropriate laboratory for examining certain hypotheses regarding the impact of legalized gambling activity. As the world seems now in the latter years of the twentieth century to be engulfed in a veritable explosion of expanding gambling activity, propositions regarding the rationale behind government policies which are enabling such expansion demand close examination. Of particular concern here are rationales (explicit and implicit) for allowing the legalization of casino gaming and the proliferation of legalized gaming facilities.

Victimless Crimes and Gambling

Gambling is often considered to be in a category of deviant behaviors called "victimless crimes," which also includes drug addiction, drunkenness, homosexuality, prostitution, participation in abortion. We can examine the legalization of gaming in the context of law reform and victimless crimes. There are several rationales for decriminalizing this wide category of "sinful" activities. They include the notion that individual liberty encompasses the freedom to make mistakes, and even to conduct one's behavior in a manner that might condemn one's soul to eternal damnation. Freedom means freedom to be good or to be bad, with the limitation that bad behavior does not directly harm other persons.[1]

A second, more practical rationale is derived from the liberty argument. As people in free societies pursue their free choices, many are going to opt for behaviors that the larger society considers to be deviant. If they are to be controlled or repressed in their activity, that larger society will have to invest considerable cost and energy into the enforcement of laws against the behavior. Because police resources are limited, it is felt that the police should concentrate their energies on stopping crimes against the person (murder, assault, rape, and robbery) and crimes against property (larceny and burglary).[2]

A third rationale for legalizing victimless crimes is that only legalization can result in "proper" (ergo, effective) regulation and control of the activity. The argument follows that only such legalization can lead to driving seriously improper activity out of business, such as activity which unreasonably exploits propensities toward deviance.[3]

A fourth objective, related to the third, is that such regulation and control may bring about a generation of profits, creating employment opportunities and tax revenues, hence turning a "sinful" activity into a positive good for society.[4]

The Environment for Victimless Crimes in the Netherlands

The factors listed above influenced the policy which allowed legal casinos to come to the Netherlands after 1975. Implicit in the policy was a notion that "sinful" activity not harmful to other persons should be tolerated. The Dutch showed a very early tolerance of gambling--as a state lottery began in the 1700s and is claimed to be the world's oldest still in existence.[5] Another private illegal lottery began in the 1950s (the Sports Lotto) only to be given legalized status in 1960. Still other illegal lotteries flourished next to these government sanctioned games, and illegal casinos offered services openly.[6]

The Dutch tolerance of deviant behaviors provided only part of the rationale for the casino legalization drive that worked its way through Parliament in the early 1970s, culminating with legislation in 1975. Additional rationale for legalizing casinos in the Netherlands revolved around economics and control. Casino gambling had been firmly established in jurisdictions surrounding the Netherlands--Belgium, England, and Germany. Members of Parliament were asked to protect the nation's economy by allowing casinos at home, thus staunching the flow of gilders vacationing Dutchmen left in the coffers of foreign casinos. Only Dutch casinos could keep the gilders at home.[7]

But the members of Parliament were also persuaded that illegal casinos in Holland were getting out of hand. The operators were not only in the criminal gambling business; they were also tied to more offensive criminal activities--activities where other persons could really get hurt. Their manner of operations seemed to constitute a direct affront to the sense of propriety that often accompanies the Dutch sense of tolerance. (Brothels and opium houses, for instance, are confined to specific districts in larger cities.) Illegal casino gaming, then, was a primary target in the campaign to legalize casinos in the Netherlands. It was truly expected that legal operations which maintained the highest of standards would be able to drive out illegal structures through competitive

---

* William N. Thompson is a Professor of Management Sciences at the University of Nevada-Las Vegas.

activity. After all, given the choice, wouldn't any regular citizen prefer to gamble in a legal house as opposed to an illegal house?[8]

Casinos Come to the Netherlands

The process of establishing legal casinos did not proceed without a struggle. While Dutch society may fairly be portrayed as very tolerant, it also has internal divisions and contradictions. Paradoxically there is a strong moralist religious strain in the politics of the Netherlands. A Dutch Reform Church political faction is vocal even though it is in a minority. A Catholic faction will rally against "sin," but generally joins with the more tolerant groups on gambling issues. A center coalition government draws support from both groups, while it is opposed by the Socialists. The Socialists tolerate other sins, but they see casinos as a part of the capitalist conspiracy against the working people. The normal political lines and party lines did not coincide on the casino issue. When a casino bill was introduced in 1975, the center coalition government took special pains to insist that the bill was a private member's bill and that the government was committed to neither side in the debate. All members were free to vote individual feelings on the bill.[9]

The original casino bill placed control of casino gaming in the hands of a National Casino Board located under the joint control of the ministers of Economic Affairs and Justice. The bill would have allowed the casinos to advertise and would have placed casino tax revenues into a special government fund earmarked for the promotion of tourism. These latter two provisions were amended. Most of the members of Parliament were conditioned to tolerate "sin," but it was quite a different matter for them to endorse the promotion of "sin" through advertising. The members also believed that while in the context of the entire government budget casino tax revenue might be small, in terms of individual governmental programs the revenues could be considered large. They therefore wished to have control over the funds. Tourism was a noble objective, but development of a tourism empire within the government was not. The final bill prohibited advertising and assigned tax revenues from casino gambling to the general fund. In a sense Parliament was rejecting a notion that casino policy was pursuing economic goals.[10] The Catholics and nonreligious center supported the bill; the Protestants and nonreligious Socialists opposed it. The vote was very close. If one single member of Parliament had switched allegiance from the positive to the negative, the bill would have been defeated.[11]

An ad hoc national casino alliance had provided strong lobbying support for the bill. Once the bill passed, they helped structure the administration of the casino policy. The National Casino Board selected the locations of the casinos and awarded concessions for their operation. The casino lobbying group brought together an array of governmental corporations and quasi-public bodies and formed the nonprofit National Casino Company (the Nationale Stichting Casinospelen). This company was successful in winning one concession as the sole operator and owner of all the casinos to be authorized by the government. The ministers of Economic Affairs and Justice appointed the board of governors of the company.

An early controversy surrounded the leadership of the National Casino Board and the company. The controversy gave the Protestant religious forces one last opportunity to assert their opposition to casino gambling. The forces pointed out that all of the members of the board of governors of the company were Catholics. Also its chairman was the president of K.L.M. (the government airline), while the head of the alliance lobbying group had been a K.L.M. director. The attacks constituted irritable political noise, but they did not reveal wrongdoing on the part of anyone.[12] A casino establishment was in place.

The Early Casinos: Locations and Operations

Initially The National Casino Board adopted a policy of placing casinos in resort areas. It was felt that these would be the most likely places to draw gamers away from foreign casinos, and that gamers would combine gambling with other holiday activity. The lingering influence of the religious opposition did give pause to any notions of putting the casinos directly into heavily populated areas. Three sites were chosen. Two were on the North Sea Coast--Zandvoort and Scheveningen. The forest resort of Valkenburg in the southeast Holland region of Limburg was the third site.

The first Dutch casino--Zandvoort--opened its doors in 1976. Valkenburg followed in 1977, Scheveningen in 1979. The Dutch casinos can be entered only after passing through registration desks. Guests show identification (for foreign guests this means passports) and pay a daily gaming fee of 7.5 gilders. (One American dollar equals approximately 2 gilders.) For the fee the guest is given a special five-gilder souvenir chip. It is hoped that the chip will not be played, but it is in most cases. When it is lost at the table, however, it is not considered part of the house win for taxation purposes. Prior to the summer season of 1986, a strict dress code also prevailed in the Dutch casinos.

The casinos offer four basic games: French roulette and American roulette (with a single zero), blackjack and baccarat. The croupiers, dealers, and even the casino managers draw their salaries out of a common tip pool. Seventy-five percent of the tip revenues goes to the technical gaming staff (dealers and managers), while 25 percent goes to nongaming employees (restaurant, bar, maintenance, front desk, security, etc.). The best tippers are the gamers at the French roulette tables. (American roulette tables pay a higher tip percentage per table, but that is only because the wheel spins many times more per hour.) Blackjack tippers are not generous, for there is no tradition of tipping at blackjack. The roulette tipping tradition is centuries old, and there is a feeling among players that the roulette croupier is offering a service for the tip. Therefore, while the blackjack tables attract many players--and blackjack is obviously a very popular game--blackjack tables may remain closed while French roulette tables are opened for just a few players.[13] Casino doors are open from 2:00 P.M. each day until 2:00 A.M. the next morning.

Economic Activity in Early Casinos

The first Dutch casinos were certainly busy operations. Their ambience--their color, noise, aura of activity--was attractive compared to the staid gaming houses of Belgium and France. Generally they fit into the category of the better German establishments. Average daily crowds of over 1,500 in Scheveningen make it one of the leading casinos in Europe. The daily attendance records of 600 to 800 in the other Dutch casinos put them into the top half of the European houses. An average daily gaming hold of 70 to 80 gilders per player make the Dutch gamer a good customer, albeit not a high roller. Outside of perhaps Monte Carlo or Baden Baden, he would certainly be welcomed with open arms anywhere.[14] Growth in numbers of players and house wins was steady in the three casinos until 1981. Slow gains were again recorded in 1982, 1983 and 1984. There was a drop-off in customers in 1985, but overall revenue gains continued.

In terms of win-per-customer, recent improvements have been witnessed. A 76-gilder take in 1985 was the second best experienced by the company. The first quarter of 1986 showed an even further improvement to 78 gilders per day. Tips per customer have varied, ranging from a low-year average of 33 gilders in 1984, to a high of 37 gilders in the early 1980s, and 39 gilders in the first quarter of 1986. Statistics from table games clearly illustrate that French roulette is both the biggest moneymaker overall, and also the biggest revenue producer on an hourly per table basis--except for some baccarat tables (which are not consistently opened).

While the statistics may reveal overall growth patterns in terms of current gilder values, if inflation were to be taken into account, the growth would be negligible and might even disappear altogether. The economic success of the casinos is tied to more than raw numbers, however. It is tied to revenues produced for the government and to jobs added to the economy. But here, too, the measures of success are elusive. How much of a good thing is a good thing? The company pays a direct tax of 33.3 percent of its gross wins to the government.[15] For 1985, this amounted to just over 29 million gilders. The company then budgets its expenses with the approval of the National Casino Board. These expenses are deducted from the remaining 66.7 percent profits and the other casino revenues (door fees, bar and restaurant profits, etc.). The remainder is returned to the government. In 1985 this equaled an additional 10 million gilders. Hence the casinos produced nearly 40 million gilders (or about 20 million dollars American) for the national treasury. These revenues constituted about three-hundredths of 1 percent of the national budget. The national lottery games more than doubled this amount for the state. While local government revenue shares for their budgets were a much larger percentage, even here revenues were not sufficient to lower other local tax rates. (Local governments are given a per player tax nearly equivalent to the door fee.)

Holland has a population of about 14 million persons, and the labor force includes many millions. In 1985 the casinos employed 1,005 individuals. It can be seen that even a doubling or tripling of this labor pool would not affect national employment statistics by as much as a tenth of 1 percent. Casinos are simply a very small part of the Dutch economy.[16]

A Detour Along the Way

The road to today's generally positive economic position has not been totally smooth. While the casinos have not generated a Las Vegas or Atlantic City ambience of street crime and Mafiosi lurking in the shadows, the casinos have learned the word "skim." Dutch nationals now constitute 80 percent of the gaming employees. However, their numbers were much smaller at the beginning. Only about 20 percent of the original employees were Dutch. Without a national tradition of legal casinos, the company quickly discovered that not many Dutch croupiers had "clean" experience. As a matter of policy, it was decided that persons who had experience in illegal gambling halls would not be permitted to work for the new legal casinos. The company needed outside help. They awarded Casinos Austria, a quasi-governmental corporation which runs all the Austrian casinos, a "know how" contract. The Austrians initiated the management and operation structures for the first casinos. They brought in dealers, croupiers, and supervisory personnel. The contract had three years duration. In this time period Casinos Austria was charged with training local talent for the casinos.

In addition to the help they received from the Austrian group, the company also employed large numbers of foreigners who had experience in legal casinos in other countries. A typical situation in the late seventies would find three experienced foreigners working the base of a roulette table and one newly recruited Dutch national at the head. The Dutchman was simultaneously receiving on-the-job experience and serving as the unofficial language translator for the table. By the time the Austrians' contract expired, the available pool of Dutch talent was sufficiently large that each table was staffed with a majority of Dutch croupiers. The foreign workers who had come in with the Austrian organization left. The other foreign workers staying on were now sufficiently familiar with the Dutch language so that they did not need translators.

In the hiring process, some of the foreign hires were not adequately screened. The company, being new, did not exercise adequate control procedures in all cases and did not have strong ties to casino control agents in other countries. Within the number of new hires there was an element that saw an opportunity to take advantage of the new organization, an opportunity for a scam. Some of these personnel initiated a network of skimming at the Scheveningen casino in its first year of operations. The network reached out and drew in many of the gaming employees, including some of the newer Dutch dealers. Pit bosses, cage personnel and even managers succumbed to the temptations of a "sure thing." They engaged confederates who acted as players.

As the network was pervasive, the scam may have been in operation for several months before it became apparent to authorities. The process of exposure was difficult. Some honest players noticed irregularities at the tables and reported them to dealers at other tables. Dishonest dealers denied that anything could be wrong, but eventually a sufficient number of these stories reached honest staff members that they alerted security and the proper company officials. Company personnel checked records and discovered that gaming profits were declining. As the matter involved serious larceny, the company called in the police. Unfortunately, the police had little experience with the processes of gambling, and they were not effective in building a body of evidence against the inside cheaters. However, enough evidence could be gathered from an investigation to enable the company to successfully fire twenty-four gaming employees, including four managers. Court prosecutions against seven of the employees were inconclusive. The case against cheating was made, but charges were reduced and penalties included only light fines and suspended sentences.

The episode did make the company acutely aware of the need for upgraded internal security. At the onset of casino gaming, the company and the Austrian company had asked the government to furnish outside security management. The government hesitated to expend necessary funds and also espoused the philosophy that casino operations should be totally separate from other governmental activities. Therefore, all security had to be internal to the company. The company reexamined its operations and gave special emphasis to the independence of its security organization. They also planned for camera surveillance within the casinos. A Rotterdam casino (see below) opened in 1975 with multiple "eye-in-the-sky" cameras that record all gaming transactions. Other new casinos will have cameras. Multiple sets of human eyes observe gaming activities at the older casinos. The workers' council of gaming employees (which is part of the national union of service employees) fully supports the camera system. There is, however, some fear that it will be counterproductive for a marketing strategy of taking players away from illegal casinos because the cameras are an extra intrusion on the privacy that many players desire.[17]

The Legals and the Illegals

All business performance is relative. Before we judge the casinos of Holland, we should therefore be aware that numbers and profits alone do not tell the full story. Often a solid financial balance sheet can be seen as weak if there are expectations for a greater margin of profit. On the other hand, a weak economic performance can be seen as commendable if it occurs in conjunction with accomplishment of other goals. The goals of the Dutch casino law of 1975 were not economic goals. The Dutch were not after government revenues and jobs. And as we have seen, even if the profits of the casinos were tripled or quadrupled, the revenue to the government in terms of proportion of the national budget would be minuscule. Even if casino jobs expanded four times over, the effect on the unemployment rate would be negligible. The Dutch explicitly legalized casinos in order to produce an effect in a competitive marketplace of gambling activity. They wished to attract Dutch gamblers who had been traveling to other lands to make their wagers. They wished to decrease the influence of illegal gaming houses in their communities by giving Dutch citizens the alternative of gambling in legal houses. We can now ask the question, "How have they done?"

The policy of having casinos in resort locations may have been successful in reaching one of the parliamentary objectives. It is likely that many Dutch gamers "came home." Coinciding with the establishment of the casinos, there was a 25 percent drop in table play in the casinos of central Belgium. On the other hand, casino legalization in Holland has not been followed by a reduction in illegal gaming activity. Rather legalization has coincided with a marked *expansion* of illegal gaming.[18] Whether there is a link between legalization and increased illegal activity is not certain. Perhaps by placing the stamp of legitimacy on casino gambling, the Dutch government signaled to its police agencies, its courts and its population that this kind of activity was not in and of itself bad, and where it is located is only a technical matter of concern. The courts of Holland have been particularly reluctant to impose any serious penalties on those engaged in illegal casino management.[19]

Two kinds of illegal casinos are found in Holland today. One operates standard roulette and blackjack games and also offers slot machines. These overtly illegal casinos are plentiful. One is above the Lanterna Pizzeria just two blocks from the parliamentary buildings in The Hague. Another, the Mona Lisa Club, is on a main shopping mall, just a five-minute walk away from the queen's palace in Amsterdam. These casinos do not openly advertise and they keep somewhat of a low profile. In Rotterdam I was given the address of one and told that any taxicab driver could easily find it for me. The doors of these casinos use peepholes and "speakeasy" procedures for entrance. While their activities are patently illegal, they persist in an ongoing manner, and police authorities are fully aware of their existence.[20]

The police do have a concern about the gambling dens. They are ready to intervene and stop gambling whenever there is disorder or a potential for violence. Players can have a reasonable sense of personal security in the casinos. The casinos also take efforts to assure their customers that their games are honestly run. But without strict government inspection and regulation, cheating cannot be eliminated. Nonetheless, if there is any overt cheating of customers, the police may intervene.[21]

One former manager of an illegal casino told me that the police were obligated to raid his casino twice a year. In the raid the police would seize gaming equipment--wheels, tables, machines--and close the doors. Such raids were simply a "cost of doing business," and the casino managers would keep the doors closed for a "respectable" three to four weeks to demonstrate that the police raid was effective. Then they would reopen. Typically raids were timed for slow seasons. The manager said he could always expect a raid in late November. The casino would then be closed during the very slow early December weeks, only to reopen for the more active Christmas and New Year's holidays.[22]

A combination of the "costs" of police interaction, raids, and bad luck with customers has driven several managers of illegal casinos out of those kinds of houses and into the second type of illegal casino--the "Golden Ten." For instance, the former illegal manager I talked with is now a manager at the Femina Club on Rembrandt Square in Amsterdam. The Victoria Hotel across from the train depot in Amsterdam used to house an illegal roulette, blackjack, slot style casino. Now it houses a Golden Ten. The operator of the Royal Casino, a Golden Ten located one block from the government-operated casino in the Rotterdam Hilton, was formerly in the management of a large illegal house in that city. Also, the employees of the Golden Tens formerly worked at the other kind of illegal casino.[23]

In contrast to the overtly illegal casinos, the Golden Tens are very open and obvious in their locations. They have "Las Vegas" style neon signs and marquees which tell everyone just what they are, "Casino." They are open twenty-four hours a day in many cases. These hours of business give them a distinct advantage over the legal casinos which are restricted to a closing time of 2:00 A.M. A second advantage they have over the legals is that they are permitted to advertise. They use newspapers, billboards, and flyers. When I visited the legal casino in Rotterdam, I noticed that the sidewalk in front of the hotel entrance was littered with flyers from several Golden Tens. "Oh, yes," the manager of the legal casino said, "they pass them out to our players as they leave. We have to close our doors at 2:00, and so they get many of our players to go to their tables."

The flyers tell the potential players that they can get more than gaming action at the Golden Tens. They can also have a free meal. The legal casinos are very restricted in their opportunities to give "perks" to the players.

The Golden Tens offer their customers other services that the legal casinos cannot match. They have free entrance, no dress code, no requirement to sign in and show passport or identification. Many gamers desire an anonymity that is better secured in the Golden Tens. The typical Golden Ten has a one gilder minimum bet, while the legals set minimums at five gilders. Also the players are not expected to give the dealer a tip when they win a bet. The dealers are not paid from a tip pool as they are in the legal casinos. In the legal casinos a winning player who does not tip will be politely treated as an outcast. If the gamer at a Golden Ten loses all his money gambling, the house will--as a matter of policy--return ten percent of his loss to him. The house will also arrange for his transportation home at no cost to the gamer.

A further advantage enjoyed by the Golden Tens is that they pay no gambling taxes. They keep no business records (other than the ones for their eyes only) and claim that they do not make profits. They pay only normal business licensing fees.[24]

The Golden Ten offers one game and one game only! Some of the casinos have as many as twenty tables with the single game. The game is called Golden Ten because it is a variety of roulette with a wheel that has one zero and one big golden X. These two positions on the wheel of 24 numbers give the house its advantage of almost 8 percent. Golden Ten is also called "Observation Roulette." The wheel or bowl for the game is stationary. It is a large metal circle that funnels down to the numbered circle in the center. The ball is rolled by the dealer (or by an arm that is activated by the dealer). The ball makes slowly descending spirals down the bowl until it hits the center area and bounces into one of the numbered squares, the zero, or the Golden X. The metal bowl contains two concentric circles on its sides. They are about one-third and two-thirds of the way down the sides. The circles are simply markings on the bowl and do not affect the roll of the ball. The player makes his bet after the ball has passed the first circle but before it crosses the lower circle. He can watch the ball as it is spun out of the dealer's hand (or the arm), see where it crosses the first circle, and then follow the rest of its path down to the number area into which it falls. By observing the action many, many times, the careful gamer can come to predict the course of the roll. With successful predictions he will become a consistent winner. Management claims that a good player can win by observing carefully, thereby contends that the Golden Ten bettor is really not gambling. They say they are operating a game of skill.

When the Golden Tens invaded Holland, eager prosecutors worked with the police and made a raid on a couple of the houses. The operators told the court that the game was not a gamble. Rather than throwing them in jail, the judge asked the prosecutors if they could prove the game was a gambling game. The prosecutors demonstrated the profits that were coming to management as a result of the games. The managers countered with the suggestion that almost all of the players were skilled and had been winning, but that one rich player with no skill had come in and lost a lot of money. The judge asked the prosecutors if they had observed all of the players over a long period of time to assure that most of them were not skillful players--that most were gambling. They had not. The police raid was a quick operation; it did not involve long scientific observations of many players' activities. The judge agreed that perhaps most players were skillful. Absent proof that such was not the case, he declined to find the Golden Ten operators guilty of illegal gambling. The prosecutor had failed to prove they were gambling. The judge suggested that if the prosecution wished to make a case, it would have to engage in observations over several days and involving many players. The prosecutors would have to show that over time the players did not do better than the chance odds of 92 percent return in their play.[25]

When the results of the case became known, the Golden Ten operations rapidly spread across Holland. Within two months, over a hundred games were established. It is estimated that there have been as many as two hundred Golden

Ten casinos in Holland.

So what is the future of the Golden Tens? Will the government be able to prove the game is a gamble? Golden Ten managers are not stupid. When they see a stranger walk in the door they observe his actions closely. If the stranger looks as if he is observing other players and not the bowl, they will become suspicious. Any prolonged activity of the type will result in the person being asked to leave. If they know a government official is present, they may simply close down. Or alternatively, they might let "skilled players" win. (The croupiers are "skilled" at placing the ball.)[26]

The prevailing thinking is that it will take an act of Parliament to rule the Golden Ten gaming illegal. But Parliament is slow to act. The gaming statistics cited above do not give them reason to make casino matters a high priority.

The Dutch Gamble

The policy making process is a continuum. The Netherlands' Parliament did not decide the direction of casino policy once and for all in its 1975 debates. The Parliament only made a basic decision (to have legal casinos), outlined some rules of operation, and then helped create an ongoing structure for further decision making. The structure includes the minister of Economic Affairs, minister of Justice, the National Casino Board, the company, and key personnel in Parliament--notably those on the Parliamentary Commission for Small and Intermediate Affairs. As early as 1980, elements of this policy-making structure sensed that the impacts of the 1975 policy decisions were not totally on target. They began to take steps toward creating a new direction for casino policy. I call this new direction "The Dutch Gamble."

Perhaps the critical event in setting a new policy direction was "The Letter from Rotterdam." In 1980 the mayor of Rotterdam (who also serves as the Commissioner of Police) wrote a letter to the National Casino Board. In the letter he said that he wanted a legal casino in his city because the illegal casinos of Rotterdam were financing drug trade with their casino revenues. The letter opened up the question of expanding casino gambling to the cities. The mayor's strongly expressed feeling that only legal casinos could drive out the illegals found support in the gaming policy structure. Almost immediately the National Casino Board initiated a study of the mayor's position. The study concluded that the time was right to expand casino gambling into the cities. The three casinos had been established by policy makers who had no experience in casino gaming. Now they had gained experience. A Dutch work force now controlled a majority of positions in the casinos. The skimming problems at Scheveningen had been resolved and appropriate new controls instituted. Authorities were confident. They were ready for expansion. As a result of the study, the National Casino Board issued a letter to the mayors of each Dutch city, asking whether the cities wanted to have casinos. The response was rapid and the messages were unanimous. Thirty-five mayors sent replies to the board, and each one wanted a casino in his town.[27]

The Board then worked with the ministers of Economic Affairs and Justice to develop a strategy for selecting sites for new casinos. The company was also asked to make its recommendations regarding expansion.[28]

The explicit purpose of the new casinos was to defeat illegal gambling through competition. Therefore, it was decided that the new casinos should be located in communities that had the greatest problems with illegal gambling. Only in this way could they begin to win players away from illegal establishments. Second, it was believed that the new casinos should be tied into existing urban entertainment districts. This would make the casinos more attractive to gamers. A third consideration in the location decision was geographic balance. It was felt that the Dutch gamer would not be willing to drive over one hour in order to gamble. If an illegal house was more conveniently located, it could be preferred. It was decided that the most desirable location mix would find a casino placed within 50 kilometers (thirty miles) of each Dutch resident.[29]

The list of 35 cities was quickly pared down to less than half that number. Only larger cities received further scrutiny. The cities surviving the "cut" had to demonstrate that they had a sufficient population base to support a general entertainment center which would include a casino. As the three existing casinos were on the west coast and the southeastern corner of the country, sites focused on the north, south, and central regions of Holland.[30]

The Hague already had its casino (in suburban Scheveningen). The other two large cities of Holland, Rotterdam and Amsterdam, were awarded sites. After this decision was made, it was determined that it would take several years to develop the most appropriate site within each of these two metropolitan areas. But the board and the ministers did not want to wait a decade for gaming to start in the cities. Therefore, they designated initial sites which would be temporary for Rotterdam (the Hilton) and auxiliary for Amsterdam. The first Amsterdam site was also in a Hilton Hotel. The second site would become the largest casino and would be in the Leidesplein entertainment district. The first casino would remain and would attempt to generate the ambience of a private club. The city of Breda was selected because it is the regional center of south Holland and is also within reach of a large Belgian population base. The city of Antwerp is only 30 kilometers (18 miles) away. Although Groningen is the stronghold of the Dutch Protestants, the mayor of the city requested a casino. The northern reaches of the Netherlands are not too strong economically, and this fact may have motivated the mayor's desires. Several eastern cities also vied for a casino. Nijmegen, which is in an area with a considerable number of Golden Tens, won the competition.[31]

The policy of urban expansion began with the opening of the Rotterdam gaming hall in November 1985. Amsterdam opened late in 1986, and in the fall of 1987 the Breda facility began operations. Groningen will open in 1988 and Nijmegen in 1989. The second Amsterdam facility will also open in 1989 and will become the Netherlands' largest casino.

The Dutch Gamble involves much more than simply expanding casino locations. It also involves changes in casino operations. The government has given the company a monopoly for offering casino gambling games in the Netherlands. In exchange for the monopoly, the nonprofit, basically public-owned company must abide by strict regulations and must also pay substantial taxes on profits. The expansion of the number of the company's facilities does not alter this situation. There is still a monopoly in theory, but in practice there is a policy dilemma.

C. F. Hoogendoorn, the director of the company, explains the policy dilemma thus: The government has given the company a monopoly with many restrictions. However, the monopoly status is made mockery by the fact that so many illegal casinos still exist. The government must do at least one of two things. The first option is to move directly to close down the illegals and thereby give the company a true monopoly. A second option involves the removal of restrictions on the legal casinos so that the legals can compete head-on with the illegals. Hoogendoorn laments the fact that the courts were blind to the widespread gambling at the Golden Tens. Further, he indicates that the government has apparently given very low priority to prosecution of the operators of even the most overtly illegal casinos, ones which offer slot machines and traditional table games--roulette and blackjack. The second option is the most open option.[32]

The company strongly endorsed the expansion of casinos into the cities as a way for bringing legitimate gambling "to the people." However, competition with the illegals would also require abandonment of many strict gaming policies which were put into force with the opening of the Zandvoort casino in 1976.[33]

The first major change was the introduction of slot machines into the legal casinos of Holland. The Dutch are already familiar with slot machines--the illegal casinos have traditional Las Vegas style slots. Many Golden Tens also have them. A variety of slot machines which do not give cash payoffs, but rather award winners with points, are also prevalent throughout the country.

The casinos wished to attract a share of what must be a lucrative slot-machine market. If illegal casinos and others not abiding by the rules can have the machines, casinos should be able to have them also. Moreover, the casinos felt they could take customers away from these illegal and semilegal machines by offering regulated machines that offer higher payouts. Moreover, the casinos see direct profits in the machines. They see German casinos making up to one-half of their gaming revenues from slot machines.

The Dutch Parliament began the consideration of slot machines in the early seventies at the same time they initiated policy debates on the casino question. However, when the casino question was resolved, slot machines were not authorized. In 1986, Parliament finally reversed the earlier ruling against the machines. The government supported the parliamentary action and informed the company of the impending decision. They issued bid requests to several manufacturers, and Aristocrat Machines won the largest supply contract. Machines were purchased for the existing casinos in early 1986.[34]

More than 70 percent of the slot machines selected for the casinos are Aristocrat reel machines. Other machines include IGT video poker and blackjack machines and Austrian manufactured Tradematic roulette machines. Aristocrat's biggest competitor for the Dutch market was Bally. Several factors helped Aristocrat win the contract. First, Aristocrat agreed to give the casinos an exclusive Holland contract. They will not place any of their machines at any other location in Holland. The company did not want their supplier also furnishing slots to illegal casinos, and to bars and other places that operate slots in a tolerated quasilegal manner. Second, Aristocrat was able to comply with a desire to have all its machines linked together with all the other machines in a computerized monitoring system. Bally indicated that their machines could not be linked with the roulette and video machines. Aristocrat was also able to promise a service agreement, while Bally demanded larger quantities of sales before it would offer a service agreement.[35]

Rotterdam was the first casino to begin slot operations. Its 52 machines include 15 roulette machines as well as 2 progressive-linked carousels of 6 Aristocrat reel machines. They also have 2 video machines. Zandvoort also has a separate room in the area vacated by the blackjack tables.[36] A partition has been added to block the area and the noise of the machines from the table area. Zandvoort now has approximately 50 machines. The largest slot array (250) came to Scheveningen. Valkenburg has a slot room with 125 machines. The Amsterdam casino that is scheduled for a 1989 opening is expected to have over 500 machines.[37]

The slot machines are seen as a necessary factor for attracting a new kind of gamer. For this reason the slots policy has also been connected with projected and current policy changes regarding entrance requirements, registration, and dress requirements.

The entrance fee of 7.5 gilders (with 5 gilders returned as a chip) may seem to be a considerable sum for the individual who is looking at casino slots as an alternative to the .25 gilder slots in the bars and restaurants of Holland. While the slots in the bars pay out a miserly 40 percent to 60 percent and the casinos will pay 80 percent, the initial door fee may present a real barrier against play. Similarly, the requirement of presenting identification and passports is not found in the bars. This registration requirement may appear to be a major imposition upon an otherwise impulsive slot player. It is conceivable that the impulsive player will be on the beach when he thinks about playing. Quite likely he will not have his identification papers close at hand. He will head for a bar, not a casino. For this reason, future casinos will be designed with a separate outside door for the slot room. Simpler registration requirements and lower entrance fees for slots will be planned.

Table limits also present a concern in an effort to draw in the "commoners." Golden Tens allow bets of 1 gilder ($.50). The legal casinos generally limit bets to a minimum of 5 gilders. (Valkenburg has a 2-gilder table in the afternoons.) There is pressure to lower the legal table limits to 2 or even 1 gilder in all the casinos at all times.

Dress codes present a barrier to customers the legals hope to draw away from illegal gaming. Dress codes have been a standard operating feature of European casinos since their existence as formal government-recognized entities almost 250 years ago. A dress code serves notice on potential clients that the casino is a dignified place demanding dignified behavior. It also projects the message that only the "better people" are welcome.

The casinos in the city want the "commoners" to reject illegal houses in their favor, and for this reason changes in the dress code were a necessity. Prior to July 1, 1986, a gamer had to have a coat and tie. A lady had to be wearing a proper dress. Now the dress code simply states that the gamer must be "properly dressed." No swimsuits and beach balls, but certainly casual wear is accepted. The casinos are hoping that in the future their slot machine rooms will have separate entrances and that there will be no rules for styles of clothing in the rooms. Then they hope that dress codes for table areas can also be eliminated.[38]

The Dutch casinos never have had residency rules. As the purpose for the rules no longer remains, most European casinos are setting the rules aside. (Monaco will always remain an exception.)

The gaming bill of 1975 was amended during passage to prohibit advertising. Policy makers feared that legal casino interests might use advertising to promote gambling rather than merely to inform existing gamblers about their existence. Yet the Dutch allow their illegal gaming enterprises to advertise and to do everything any other business might do to stimulate demand. If the legal casinos are going to pursue the goal of competing with the illegals, a change in advertising policy would be one requirement. Such a change has begun. When Rotterdam opened its slot-machine room, the citizens of the port city started seeing placards on the public transit vehicles indicating the advantages of playing the casino slots.[39] Hopefully the signs draw customers away from the tables and slots of the illegal casinos and unregulated bars. This is the strategy. And in the probably not too distant future, the casinos will begin to openly advertise their table games as well.

Tomorrow promises a continuation of the strategy--the Dutch Gamble. In 1987 a government report reexamined the problem of legal casinos and illegal gaming. It suggested that all gambling activity must be addressed in a unified public policy. The lottery, football pools, off-course betting shops (recently established), and casinos must be drawn together in the campaign against illegal gaming. As for casinos, consideration should be given to means of penetrating the Dutch countryside even more. The idea of small casinos or branch casinos is under exploration. The expressed government policy is now "a casino within 30 kilometers of each Dutch resident."[40] Only then can illegal casinos really be defeated. Such is the essence of the Dutch Gamble.[41]

Summary

The Netherlands is renowned for its epic battle against the sea. Heroes in the struggle abound in the folklore and history of the country. There were folkloric characters, like the little boy who stuck his finger in a dike, there were also the real-life men of Colijnsplaat who on the very cold evening of January 31, 1953, stood shoulder-to-shoulder using their collective bodies to fill in the space of a broken dike. Their efforts successfully protected the homes of their town, and the waters receded the next day. This is the tradition of literature and of fact. Life in the "Land of the Windmills" is expected to be a difficult struggle. Now the Netherlands is faced with another epic struggle against overwhelming odds. Of course, today's struggle is not as monumental as the fight against the sea. But the prospects of victory in today's quest appear to be less likely to occur. It might appear now that the battle against the North Sea has been won--more than one-third of the country's land has been recovered from the sea through a massive dike construction program. The next battle may not have so successful a finish. The government now stands ready with a plan to counter the forces of rampant illegal gambling. It intends to fight illegal gambling by expanding legalized gambling. The philosophy of the battle plan may receive support from a community of scholars who point to the failed policies of American prohibition and other repressions of so-called victimless crimes: prostitution, homosexuality, drug addiction. However, there is no community of scholars and no body of scholarship that can empirically demonstrate that expanding gambling through legalization has ever greatly reduced illegal gambling operations. Those who might be pursuing campaigns for legalization or expansion of gambling elsewhere should keep their eyes directed at the Netherlands. Will the Dutch win again? The near future will tell us the results of The Dutch Gamble.

Interviews

Mr. Herman Braum, Gaming Machine Operator, Caterer to "Other Casinos," in Zeist, May 29, 1986.

Mr. J. E. M. Frints, Algemene Zaken, Restaurant Manager, Casino Valkenburg, Valkenburg, June 21, 1986.

Mr. Ady Grutman, Masiek, Belgium, June 27, 1986.

Mr. C. F. Hoogendoorn, Director, Nationale Stichting Casinospelen (National Casino Company), Hoofddorp, July 17, 1986.

Mr. Fred Klaver, Staff Correspondent, Netherlands Newspaper Association, The Hague, June 4, 1986.

Mr. Hugh Kley, Casino Workers Representative, Dienstenbond, F.N.V. (Commercial Service Workers Union), Woerden, July 16, 1986.

Mr. A. F. Llambias, Bedrijfsleiding, Casino Director, Casino Rotterdam, Rotterdam, June 1, 1986.

Dr. Bernard Polders, Secretary of the Board for Casino Games in the Netherlands, and Head, Gaming Department, Ministry of Economic Affairs, The Hague, May 30, June 4, June 23, and July 21, 1986; and The Hague, May 25, 1987; Scheveningen, June 7, 1987; and Reno, Nevada, August 23, 1987.

The Royal Casino (Golden Ten Casino), Manager, Rotterdam, June 1, 1986.

Mr. J. E. M. Starrenburg, Bedrijfsleiding, Casino Scheveningen, Scheveningen, May 30, 1986.

Mr. B. Storace, Bedrijfsleiding, Casino Zandvoort, Zandvoort, May 31, 1986.

Mr. August Van Betten, Dienstenbond, F.N.V., Zeist, July 8, 1986.

Mr. Frans Vanden Hoogen, Manager, Femina Club (Golden Ten Casino), Amsterdam, June 3, 1986.

Ms. Mieke Veenstra, Manager, Casino Workers Division, Dienstenbond, F.N.V., Woerden, July 16, 1986.

Victoria Club (Golden Ten Casino), Manager, Amsterdam, June 3, 1986.

Professor Willem A. Wagenaar, Chairman of the Department of Psychology, University of Lieden, Zeist, June 23, 1986.

Dr. J. P. Th. Zwartjes, Director, Stichting de Nationale Sporttotalisator (The National Sports Lottery), The Hague, June 4, 1986.

Notes

1. General discussions on the legalization of "victimless crimes" are found in E. M. Schurr, *Crimes Without Victim* (Englewood Cliffs: Prentice Hall, 1963); Gilbert Geis, *Not the Law's Business* (Rockville, MD: National Institute of Mental Health, 1972); and Board of Trustees, National Council on Crime and Delinquency, "Crimes Without Victims: A Policy Statement," *Crime and Delinquency* 17 (April 1971): 129-30. The "freedom issue" is specifically discussed in John M. Murtagh, "Gambling and Police Corruption," in Robert D. Herman (ed.), *Gambling* (New York: Harper and Row, 1967), pp. 233-43; and Joseph Grange, "Dissent and Society," *The Police Chief* 38 (November 1971): 38-44.

2. For instance, see William H. McGlothlin and Victor C. Jabbush, "Costs, Benefits and Potential for Alternative Approaches to Opiate Addiction Control," in James A. Inciardi and Carl Chambers (eds.), *Drugs and the Criminal Justice System* (Beverly Hills: Sage, 1974), pp. 77-124; and Norval Morris and Gordon Hawkins, *The Honest Politician's Guide to Crime Control* (Chicago: University of Chicago Press, 1970), p. 2.

3. See Schurr, pp. 60-62; and Committee on Homosexual Offenses and Prostitution, *The Wolfenden Report* (New York: Stein and Day, American Edition, 1963).

4. See Murtagh, p. 243; and David Weinstein and Lillian Deitch, *The Impact of Legalized Gambling* (New York: Praeger, 1974), pp. 145-66.

5. Max Schuchart, *The Netherlands* (New York: Walker and Co., 1972), pp. 125-37.

6. Interview, Zwartjes.

7. Interviews, Polders (1986); Bernard Polders, "Dutch Casinos Make Steady Progress in European Market," *Public Gaming Magazine* (January 1984): 36-40.

8. Polders, "Dutch Casinos."

9. Interviews, Polders (1986); Hoogendoorn.

10. Ibid.

11. Ibid.

12. Ibid.

13. Interviews, Storace, Llambias, and Polders (1986).

14. Statistics are drawn from Tables I-VII (appearing in text).

15. Interviews, Hoogendoorn and Polders (1986).

16. Nationale Stichting . . ., *Annual Reports*, and interviews, Hoogendoorn and Klaver.

17. Interviews, Hoogendoorn and Polders (1986).

18. Interviews, Hoogendoorn and Klaver; *Algemeen Daghlbad* (newspaper, Amsterdam), May 16, 1986, p. 3.

19. Interviews, Hoogendoorn and Klaver.

20. See Gideon Keren and Willem A. Wagenaar, "On the Psychology of Playing Blackjack: Normative and Descriptive Considerations with Implications for Decision Theory," *Journal of Experimental Psychology: General* 114 (June 1985): pp. 133-58.

21. Interviews, Wagenaar and Vanden Hoogen.

22. Interview, Vanden Hoogen.

23. Interviews, Victoria Hotel and Royal Casino.

24. Interviews, Royal Casino and Braum.

25. Interviews, Klaver and Wagenaar.

26. Interviews, Wagenaar and Royal Casino; also Behavioral Institute, TNO, Zeist, *Report* 1ZF 1985 C-5 (1985): The Dutch law specifies that a game of chance is "one in which the players have no major influence on the outcome of the game. In a previous ruling the Supreme Court has stated that a major influence implies that the large majority of players can apply this influence under real conditions. The consequence of this interpretation is that in each court trial empirical evidence (i.e. real observations made in a casino) is to be presented. This requirement leads to many practical problems not to mention expenses."

27. Interviews, Hoogendoorn and Polders (1986).

28. Interview, Hoogendoorn.

29. Ibid.

30. Ibid.

31. Interviews, Hoogendoorn and Polders (1986).

32. Interviews, Hoogendoorn.

33. Ibid.

34. Interviews, Polders (1986) and Llambias.

35. Ibid.

36. Interview, Storace.

37. Interviews, Hoogendoorn and Polders (1986).

38. Interviews, Hoogendoorn and Polders (1986).

39. Interview, Llambias.

40. Interviews, Polders (1987).

41. Information for individual casino sites, including the illegals and quasi-illegal Golden Tens, was secured through personal visits and direct observations at the casinos. Visit dates correspond to interview dates given above.

Comparison of German and Austrian Casinos and Slot Machine Operations

*by Joseph Kelly**

German Casinos

History

German casinos and gaming are by no means creations of the German Federal Republic (Bundesrepublik Deutschland [B.R.D.]) or the Third Reich. Unlike Roman law, for example, early Germanic law allowed almost unlimited gaming freedom. During the Middle Ages, German cities such as Frankfurt am Main (in 1378) even established public gaming houses primarily for revenue purposes.

Unlike the trend toward centralization prevalent in Great Britain, France, and Spain, Germany became increasingly decentralized, especially after the Thirty Years' War and the Treaty of Westphalia (1648). After power was decentralized, various states such as Brandenburg and Bavaria prohibited high-stake gaming and attempted to prevent excessive borrowing for gaming purposes during the sixteenth and seventeenth centuries. During the eighteenth-century "Age of Enlightenment" and the resurgence of the aristocracy, when baths and spas (Kur und Badeorte) became fashionable with high society, various innkeepers were granted permission to set up gaming in these resorts. Soon gaming was moved to casinos, since it both facilitated revenue collection for taxation purposes and enabled the police to survey gaming operations more easily. In 1764 in Aachen, for example, the magistrate granted casino permits after concluding that the aristocracy had spent considerable amounts of money and time within the area.

Casinos prospered in Germany during the late eighteenth and early nineteenth centuries, especially after Louis Philippe closed French casinos in 1838. Yet the pendulum was soon to swing back, and casinos would be attacked from both the left and the right. The "liberal" Frankfurt Assembly, created by the 1848 revolutions, almost unanimously approved the closing of German casinos by May 1, 1849. While this action was stayed because of the counterrevolution, the increasing Prussianization of the German states resulted in the eventual banning of casinos. After the Seven Weeks' War of 1866, the North German Confederation passed legislation which forced casinos to wind down operations. Prussia, after annexing Hanover, Schleswig-Holstein, and other areas, terminated all casino operations no later than December 1872. After the creation of the German Empire in 1871, *all* German casinos remained closed until the end of World War I. The basic reasons given for the shutdown were that the casinos were centers of immorality and superstition and had a detrimental impact on family life.

Except for this brief period of casino "club" activity after World War I, casinos remained legally closed until Hitler obtained power. National Socialists, of course, had no interest in Germans enjoying themselves. Hitler did realize, however, that taxation of casinos could be used for party purposes, especially since illegal games of chance had been widespread in spa area casinos. Licensing of casinos, furthermore, would result in Germans not spending currency in other countries and in the employment of Germans in this revived industry.

By no means did Hitler allow unrestricted casino development. Casinos were permitted only under certain conditions. On July 14, 1933 (R.G.B.I.s. 480/481), the Minister of the Interior was empowered to allow casinos such as those in Kur und Badeorte which averaged 70,000 tourists annually between 1924 and 1930, could substantiate that 15 percent of the tourists were foreigners, and were located in the vicinity of a foreign casino. While many areas fulfilled the above requirements, the Minister of the Interior allowed casinos in Baden-Baden only. After the "Anschluss" and annexation of Danzig, casinos in Baden (near Vienna) and Zopot were also licensed. In 1938, minimum requirements were enacted, such as taxation measures and days of mandatory closing. These requirements continue to be viable in modern German gaming law.

After the collapse of the Third Reich, Rheinland-Pfalz became, in 1948, the first German state to license or franchise casinos at (Bad Neuenahr and Bad Durkheim) based on the 1933 law. Shortly thereafter, Hesse granted a license for Bad Homburg and Wiesbaden. Schleswig-Holstein modified the 1933 law when it granted casino licenses on the off-shore island of Sylt (Westerland) and also at Travemünde. The rationale for this modification of the 1933 law was the need to help refugees. Subsequent casino licenses were granted by Baden-Würtemberg and Bavaria in the early 1970s.

In 1973 German law changed to permit casinos in areas other than traditional resort areas. Thus during the 1970s casinos were licensed in Niedersachsen (8), Berlin (1), Nordrhein-Westfalen (4), Hamburg (largely in response to the adjacent casino at Hittfeld), the Saar, and Bremen. During the 1980s, casinos were also licensed at Dortmund, Hohensyburg, and other areas. Thus, there are currently thirty-six casinos in the B.R.D. and West Berlin. Many of them are in traditional resort areas and on offshore islands, and very few are located in major cities or industrial centers.

---

* Joseph M. Kelly is a Counselor and Attorney-at-Law in Reno, Nevada. The author wishes to acknowledge the assistance of John Busse and James Kanber in this article.

The B.R.D. Statutory Framework

Like the United States, but unlike the United Kingdom, France, and most European countries, the modern German government is a federal system in which power is shared with the states. Federal law empowers free cities and states (Laender) to authorize public casinos within their respective areas.

The 1938 statute broadly defines areas of federal concern and leaves the fine tuning to the free cities and Laender. The federal law is largely a taxation statute, defining the manner in which tax revenue from casino gaming will flow into respective federal and state coffers. There are, however, some operational provisions. The statute specifies the minimum age for gambling and empowers local government to set residency requirements, close the casinos on certain holidays, regulate hours of operation, and specify the permissible games.

The penal provisions of German gaming law, which were passed immediately after World War I, are found in sections 284, 284a, 285b and 289 of the Strafgesetzbuch (penal code). These provisions provide that anyone operating an unauthorized public game may either be imprisoned up to two years or subject to a fine. The statutes do not specify the amount of the potential fine, however. These penalties also extend to those who operate unauthorized games in private clubs or organizations. Unlike many other countries, German law is hostile toward many types of games of chance, largely because of the following philosophical attitudes, namely, (1) that gaming may result in economic ruin; (2) that it is void of value-creating activity; and (3) that it might have a morally detrimental impact on youth. Thus, the B.R.D. penal code outlaws games played by private parties and operated by private organizations. The only notable exception is a private lottery or raffle.

While the respective ministers of the Interior and Finance have had authority, especially concerning tax matters, at the federal level to oversee casinos, the administrative responsibility is now in the hands of the states (Laender) or cities. In effect, the states have granted long-term franchises, often ten years, to casinos which allow them to have a de facto monopoly. Because of this unique status, the burden of taxation on casino revenues often exceeds 80 percent of the gross profits and has occasionally been as high as 90 percent; e.g., in 1986 the Hamburg casino paid 66.80 million marks (DM) to the free city out of its gross profits of 74.23 million DM. It is important to note that the operator, usually a closely-held corporation, does not own the casino. Rather, it is but a licensee or franchisee. The laws of Nordrhein-Westfalen, for example, provide that the term of the franchise shall be ten years, with a right to renew. Furthermore, certain tax advantages are granted to the casino.

As in other casinos, in Wiesbaden the prospective casino operator, in contrast to the prohibitions of Great Britain, is required to undertake certain social and civic responsibilities as a condition of licensure. The specific obligations are negotiated annually and may include the sponsorship of cultural events or the erection or improvement of facilities for public use. After contracting for the provision of social, cultural, and other services, an investigation of the operator is conducted by the Ministry of the Interior. Following a favorable determination, a Certificate of Operation is issued, and the operator is then able to open the casino.

The state laws of both Niedersachsen and Nordrhein-Westfalen provide for a monetary fine of up to 10,000 DM for violations of local gaming law. The fine is imposed and collected by the city or state in which the casino is located and not by the federal government. Agents of the Ministry of the Interior who are present in the casino are empowered to suspend operations and close the casino if major infractions of the law are detected. Closure is also a remedy if the casino violates the terms of the franchise contract. In Bavaria, however, unlike the rest of Germany, four of the five casinos are operated by the government itself, and in Nordrhein-Westfalen the casinos are operated by a quasi-public corporation.

Internal control over German gaming is guaranteed by the presence both of government agents and agents for the house. German government officials are present whenever money is counted. Additionally, they work in shifts to insure that the games are free from cheating. In Baden-Baden, fourteen government agents work in the casino. The casinos employ their own security personnel as well. Casinos work in conjunction with one another to provide information regarding the identity and movement of cheats.

Operation of the Casinos: Exclusionary Laws in the B.R.D.

Unlike those in certain other countries, there are no restrictions on occupational groups permitted in German casinos. Owners and operators, however, may not participate in gaming at the casino or encourage others to participate in casino gaming. The 1938 law restricted gaming access to those over 21. Age requirements, however, are now up to the state governments, and there is a distinct trend toward lowering the minimum age from 21 to 18. As age requirements relax, so also are the imposed residency requirements. Baden-Baden, for example, prohibits entry to people who live within 15 kilometers of the casino, without special permission of the mayor. The West Berlin casino, on the other hand, has never had any such restriction. In 1985, Rheinland-Pfalz allowed casinos in Bad Emms, Trier, and Mainz without residency requirements, which resulted in the abandonment of these requirements by casinos in neighboring Hesse. Bad Homburg and Wiesbaden have also recently abandoned their 15-kilometer prohibition. Notwithstanding residency requirements, there is no absolute or serious bar to those Germans who wish to gamble. The fact that casinos are located in traditional resort areas in close proximity to larger population centers makes casino gaming available to almost everyone. For example, there are no casinos in Bonn, Braunschweig, Frankfurt a. M., Mannheim, and Stuttgart, yet casinos are located in the neighboring small communities of Bad Neuenahr, Bad Pyrmont, Bad Homburg, Bad Dürkheim and Baden-Baden. The short drive to a nearby casino is at most a minor inconvenience to the gaming-oriented German. Moreover, many German businessmen undoubtedly prefer gaming in an outlying casino rather than a local one, since it might have a detrimental effect on the opinion of the clients and customers with whom they have a fiduciary obligation.

Admission of Persons to Casinos

Entering a casino in Germany, as in Great Britain, is not as simple as walking through the door. First, German casinos generally impose dress requirements on their patrons. It is the view of the concessionaire in Baden-Baden that proper dress attracts a particular clientele. However, many casinos have relaxed their dress requirements considerably; e.g., a coat and tie may no longer be required, especially during the summer. Second, a patron must identify himself to the management and give certain personal information, including a written assurance of solvency. Third, there is almost always an admission charge, usually five marks on weekdays and slightly higher on weekends. A yearly admission may be purchased for an amount such as 125 DM. These admission charges may go either to the casino or to the local community.

Mandatory Casino Closure in the B.R.D.

While casino gaming in Nevada is a seven-day-a-week, twenty-four-hour-a-day business enterprise, German casinos are regulated as to the times of the day that they may be open and certain holidays when they must close. The federal gaming law of 1938 calls for closure on national holidays, Good Friday, Christmas Eve, and Christmas Day. The states and free cities impose additional days of closure. The casinos in Baden-Baden and Konstanz are required to be closed on Corpus Christi Day, All Saints Day, Penance and Prayer Day, and Memorial Day. The state of Niedersachsen, for example, requires closure only on those days mandated by federal law. The casino in Berlin must close on Memorial Day and on May Day.

Hours of operation of different games may also be statutorily defined. The casinos in Baden-Baden and Konstanz may operate the "little games" from 3:00 P.M. until 1:00 A.M. daily. From March through October, inclusive, the "little games" may be operated from 11:00 A.M. until 1:00 A.M. Roulette and American roulette may be operated from 1:00 P.M. until 2:00 A.M. Baccarat, trente et quarante, ecarte, and blackjack may be played from 3:00 P.M. until 7:00 A.M. Although the casino is not open for gaming during the morning hours, the building itself is open for tours. The island casinos of Borkum and Norderney are closed during the winter, except for slot playing.

Similar time schedules apply to the casino in Berlin. All games open at 3:00 P.M. and close at 5:00 A.M., with the exception of baccarat, which remains open until 7:00 A.M.

Tips and Employees

Unlike Great Britain, where tips to gaming employees are prohibited by gaming board regulation, German gaming employees depend almost exclusively upon tips for remuneration. The tips, however, may not be given to employees individually as gratuities but instead are dropped into an open container system called a *tronc*. Once collected, they are distributed among all casino employees, including custodians, slot machine mechanics and other employees not directly connected with gaming.

The division of tips is most unequal, with workers receiving less than the pit boss, who receives less than the room manager. Under the tronc system, moreover, a croupier receives more than a blackjack dealer, and the employee spinning the roulette wheel receives more than the croupier who places bets for gamblers. Seniority is especially important in that the length of time a casino employee has been at the casino determines the share of the tronc he is entitled to. One side effect of this is to minimize casino employee mobility, since all seniority would be lost should an employee leave one German casino for another. Unlike England, where there is a belief that employees are insulated from an interest in the outcome since tipping is prohibited, the German attitude is that the employees' dependence upon tipping has given them the status of independent contractors, instead of being mere agents of casino management. In addition, without direct tipping, there can be no appearance of manipulation which would affect the outcome.

There are other reasons for the lack of employee mobility besides seniority concerning the tronc. Unlike Nevada, where there is much employee movement from casino to casino and opportunity to move from city to city, in Germany such movement is extremely rare. First, there is no termination at will in Germany once an employee has survived his probationary period. Second, there is an emphasis on employing nationals, often locals. Third, many times German casinos insist that employees undergo a training period under direct casino supervision, and, finally, some casinos will not hire an employee over 25 years of age.

Games Permitted in B.R.D. Casinos

Unlike the national Gaming Board of Great Britain, which allows only specific games of chance to the prohibition of all others, German local law decides which games are permitted. The casino in Berlin is authorized to operate the games of roulette, American roulette, baccarat, blackjack, and trente et quarante. In Baden-Baden and Konstanz the approved games are divided into two categories: big games (*Grosse Spiele*), which include roulette, trente et quarante, baccarat, and ecarte. The little games are boule, klondike, kubus (a traditional German dice game), craps, blackjack, and electronic roulette. In Baden-Baden and Konstanz the distinction between big and little games rests on the specified hours of operation for each category of game.

Slots

Unlike England, which has a maximum of two jackpot slot machines, there is no mandatory limit on the number of slots in a German casino. There could be anywhere from 25 machines up to as many as a few hundred. Also unlike Great Britain, the machines are often electronic computer types, e.g., roulette. Finally, unlike Great Britain, there is no restriction on the amount of the jackpot. Instead, winnings can range from 40,000 DM for a comparably small sum played or as high as 1.3 million marks (which an Italian merchant won in Hamburg in 1986 after wagering about 21,000 marks). Finally, unlike Great Britain, German slot machines must be separate from casino gaming and, in fact, are in a totally different building or area without any common access to the casino. For example, in Hamburg the slot machines are several miles from the casinos. Furthermore, there is usually a modest admission charge of one to two DM for access to the slot machine area.

Enforcement of Gaming Debts (a Debt of Honor)

The 1968 British Gaming Act legalized gaming debts for the first time since Queen Anne. Gambling debts in Germany, on the other hand, are viewed as debts of honor, and statutes strictly prohibit any enforcement of gambling debts. Section 762 of the "Buergerliches Gesetzbuch" states that no obligation is created by gaming or betting. Section 289 of the "Strafgesetzbuch" or penal code provides for the imprisonment for a term of up to three years of anyone who attempts to forcefully collect a gambling debt.

The problem of collecting gaming debts in the B.R.D. has been solved by the adoption of a very strict credit policy in casinos. The casino will extend credit to a patron only if he makes a substantial cash deposit with the casino or, alternatively, if he produces a good letter of credit. Only Eurochecks and other guaranteed checks are accepted and then only for limited amounts. Since, by law, a gaming debt creates no enforceable obligation, and since the profit margin on gaming is materially reduced by a tax rate of 80 percent or higher, the policy of not extending credit without substantial guarantees is the only means by which a casino can guarantee financial stability. Unlike many other jurisdictions, however, bad debts resulting from credit may not be deducted from gross winnings.

Thus, there is a strong motive for the strict restriction of credit resulting from the extension of credit as a business expense. Very few casinos will even take traveler's checks (Roulette, 46). The casino tax is levied against all winnings, including those arising from the extension of credit. Since the casino is liable for the tax on winnings, which may exceed 80 percent of those winnings, and since an uncollectible obligation does not serve as a business expense to reduce winnings, the house is reluctant to allow a patron to obtain gambling funds on credit.

Austrian Casinos

As in Germany, it was Hitler who reintroduced casinos into Austria after the Anschluss. Moreover, the Austrians, after World War II and the end of the Russian occupation in the mid-1950s, utilized the franchise or licensing system for casinos.

Gaming in the Austrian Republic is similar to that in the German Federal Republic. Historically, the Austrians are Germanic, and, indeed, through much of the history of Germany, the Hapsburg rulers were emperors of the Germans. After World War I, however, the Hapsburg dynasty was overthrown and Austria became an independent state. At the end of Allied occupation after World War II and the agreed-upon neutrality status of Austria, Austria introduced the franchise or licensing system for casinos. As in Germany, wages of employees are paid out of the tip pool or tronc. Furthermore, with one exception, the slot machines in Austria are located separate from the casinos. As in the German Federal Republic, there is an entrance fee to both the slot area and the casino, dress codes are enforced, and one is unable to simply walk into a casino without indicating who he is.

Unlike Germany, however, the present Austrian gaming structure is totally centralized. During the 1960s the Austrian government became increasingly dissatisfied with the concession or franchise system and decided in 1968 to replace it with an essentially government-controlled operation--namely, Casinos Austria Aktiengesellschaft (Austrian Casino A.G.). Sixty-four percent of the stock of this closely-held corporation is owned by government-related corporations or interests. The other 36 percent of the shares are owned by private shareholders and the oldest Austrian bank--Bankhaus Schelhammer and Schattera. Government control of this closely-held corporation is ensured by regulations which allow the selling of shares only if all other shareholders agree and only the Austrian Finance Minister approves the transfer of the shares. Casinos Austria is granted a governmental license over all gaming by the Federal Ministry of Finance, but, in theory, it could lose its monopoly status at the end of a specified time.

Thus, centralization in Austria has certain advantages not found within Germany. For example, there is a uniform age admission requirement of 21. There is a uniform admission requirement of approximately $9.00, which includes a chip worth more than that which Casinos Austria hopes will be kept as a souvenir and not played. In a most paternalistic measure, Austrian citizens are allowed admission only if local authorities are convinced that the local citizen will not endanger his economic livelihood by gaming or "prejudice" his employer's interest. In practice that means that if a citizen enters a casino occasionally, he will not be stopped. However, should a citizen return to a casino three days in a row, he would probably be informed that future visits would be based on his ability to support his gaming habit. Moreover, a husband may easily prevent his wife from gaming by making such a request in writing to the casino. As in France, special efforts are made by authorities to protect the compulsive gambler from himself. Also, as an advantage of centralization, Casinos Austria has the ability to establish a progressive link system in its ten casinos that have slot machines. In March 1987 the jackpot total of the linked progressive slots system stood at approximately 5.6 million Austrian schillings, which is approximately $425,600.00 U.S.

Finally, centralization and quasi-governmental status have allowed Casinos Austria to become the Venetians of gaming in that the Austrians have been able to establish management contracts to operate casinos and gaming establishments throughout the world. Indeed, Austrians have helped establish a casino for the first time in a Soviet bloc country--the result of a closely-held corporation in which the Hungarian government controlled 51 percent of the stock and Casinos Austria held the other 49 percent. Technical assistance was also given to the Communist government of Yugoslavia. In addition, the Austrians have installed and operated a casino in Moslem Turkey, another in the Netherlands, and have assisted gaming efforts in Belgium, Spain, Luxembourg, Portugal, The Aland Islands (Finland), Switzerland, and other countries.

The governmental affiliation permits Austrian casinos to advertise and utilize various marketing devices. There is, of course, a price to pay. Casinos in Austria pay up to 91 percent of their earnings in taxes, of which approximately one third is returned to local governments. Furthermore, unlike the de facto requirement of citizenship in the Federal Republic of Germany, Austrian law mandates that only Austrian citizens are allowed to be gaming employees.

Thus, gaming in the B.R.D. and Austria is similar in many ways, viz. a quasi-monopoly or monopoly, which has thrived only since World War II. The essentially decentralized B.R.D. approach to casinos would make an international emphasis all but impossible. Neutral Austria, on the other hand, has become the leader in international gaming expertise and appears to be without serious competition in this area.

Bibliography

Aubin, B. (1981). *Die rechtliche Regelung der Glucksspiele und Spielautomaten in europaischen Landern.*

Board of Inquiry into Casinos in the State of Victoria. (1983). *Report.* Melbourne, Australia: Government Publisher.

California Staats - Zeitung. (1987, November 26). "Intereressantes aus deutschen Casinos."

Casinos Austria. (1985). A Short Profile of Casinos Austria Aktien gesellschaft. Vienna.

Federal Law: Alteration of Gaming Law. (1982, December 30). Bun desgesetzblatt fur die Republick Osterreich, 646, and *Federal Law of June 27, 1963 for the Regulation of Gaming* (BGBL. No. 169) and amendments of 1964, 1965, 1969, 1972, 1974 and 1976.

Niestegge, H. (1983). *Zur Kompetenz Verteilung zwischen Bund und Landern.*

Reichsgesetzblatt. (1983). Vol. 1.1, s. 955.

Spielordnung fur die Spielbanken Baden-Baden und Konstanz, SS 2(1) (1973).

U.S. Postal Service

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

Required by 39 U.S.C. 3685)

1A. Title of Publication: Nevada Review of Business & Economics

1B. PUBLICATION NO.: 3 7 7 3 4 0

2. Date of Filing: 10/1/88

3. Frequency of Issue: Quarterly

3A. No. of Issues Published Annually: Four

3B. Annual Subscription Price: Free

4. Complete Mailing Address of Known Office of Publication *(Street, City, County, State and ZIP+4 Code) (Not printers)*

University of Nevada-Reno; Washoe County, Reno, NV 89557-0016

5. Complete Mailing Address of the Headquarters of General Business Offices of the Publisher *(Not printer)*

University of Nevada-Reno; Washoe County, Reno, NV 89557-0016

6. Full Names and Complete Mailing Address of Publisher, Editor, and Managing Editor *(This item MUST NOT be blank)*

Publisher *(Name and Complete Mailing Address)*

Bureau of Business & Economic Research
University of Nevada-Reno, Reno, NV 89557-0016

Editor *(Name and Complete Mailing Address)*

Thomas F. Cargill (address same as above)

Managing Editor *(Name and Complete Mailing Address)*

Thomas F. Cargill (address same as above)

7. Owner *(If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given. If the publication is published by a nonprofit organization, its name and address must be stated.) (Item must be completed.)*

Full Name	Complete Mailing Address

8. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages or Other Securities *(If there are none, so state)*

Full Name	Complete Mailing Address

9. For Completion by Nonprofit Organizations Authorized To Mail at Special Rates *(DMM Section 423.12 only)*
The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes *(Check one)*

(1) ☒ Has Not Changed During Preceding 12 Months

(2) ☐ Has Changed During Preceding 12 Months

(If changed, publisher must submit explanation of change with this statement.)

10. Extent and Nature of Circulation *(See instructions on reverse side)*	Average No. Copies Each Issue During Preceding 12 Months	Actual No. Copies of Single Issue Published Nearest to Filing Date
A. Total No. Copies *(Net Press Run)*	2300	2200
B. Paid and/or Requested Circulation 1. Sales through dealers and carriers, street vendors and counter sales	0	0
2. Mail Subscription *(Paid and/or requested)*	0	0
C. Total Paid and/or Requested Circulation *(Sum or 10B1 and 10B2)*	0	0
D. Free Distribution by Mail, Carrier or Other Means Samples, Complimentary, and Other Free Copies	2250	2150
E. Total Distribution *(Sum of C and D)*	2250	2150
F. Copies Not Distributed 1. Office use, left over, unaccounted, spoiled after printing	50	50
2. Return from News Agents	0	0
G. TOTAL *(Sum of E, F1 and 2—should equal net press run shown in A)*	2300	2200

11. **I certify that the statements made by me above are correct and complete**

Signature and Title of Editor, Publisher, Business Manager, or Owner

[illegible], Assistant to the Editor

PS Form 3526, Dec. 1987

(See instructions on reverse)

Gambling Research: Proceedings of the Seventh International Conference on GAMBLING AND RISK TAKING

The College of Business Administration, University of Nevada-Reno announces the publication of ***Gambling Research: Proceedings of the Seventh International Conference on Gambling and Risk Taking.*** The five-volume set, edited by William R. Eadington, Professor of Economics, University of Nevada-Reno, includes 120 of the 130 papers presented at the conference in Reno, Nevada in August 1987.

The following partial listing of topics and authors is only a sampling of the tremendous amount of information available in ***Gambling Research***.

Volume 1: Public Policy and Commercial Gaming Industries Throughout the World; 26 articles, 479 pages. Indian gambling, by Michael Rumbolz; illegal gambling in the U.S., by John Dombrink; charitable gambling in Canada, by Colin Campbell; new gambling markets in Turkey, by Nigel Kent-Lemon; and resort development and greyhound racing in Venezuela, by Lieve Coppin.

Volume 2: Business and Economic Studies of Gaming Industries; 22 articles, 471 pages. Casino player rating systems, by Jim Kilby; player tracking on slot machines, by Mickey Roemer; analysis of lottery revenues, by Albert Ovedovitz; marketing strategies for Atlantic City, by Jeffrey Lowenhar; economic characteristics of horse race markets, by Will Cummings; taking a gambling company public on the London stock exchange, by Leonard Steinberg; and regulation and changing investment patterns in the gaming industry, by Anthony Cabot.

Volume 3: Gamblers and Gambling Behavior; 21 articles, 331 pages. Behavioral analysis of regular and professional gamblers, by John Rosecrance; problem gambling with casino workers, by Julian Taber; ethical issues and gambling, by Linda Reiffer; gambling in American cinema, by James F. Smith; gambling among high school students, by Robert Ladouceur; problem gambling and the law, by Nelson Rose; and problem gambling in Germany, by Gerhard Meyer.

Volume 4: Quantitative Analysis and Gambling; 27 articles, 462 pages. The efficiency of gambling markets, by Bill Ziemba; computer modelling and forecasting outcomes of NFL games, by Mike Inchalik; the spread of legal sports wagering, by Arne Lang; economic analysis of horse race betting, by Mukhtar Ali; quality of play at casino blackjack, by Peter Griffin; Red Dog - a new casino game, by Terry Oliver; and Pai Gow Poker, by William R. Eadington.

Volume 5: Research on Pathological Gambling; 26 articles; 421 pages. Compulsive gamblers in treatment, by Joseph Ciarrocchi; general theories of addiction, by Dewey Jacobs; physiological causes of problem gambling, by Alec Roy; DSM-II revisions, by Robert Custer; substance abuse and additions, by Julian Taber; female pathological gamblers, by Henry Lesieur; parents of young gamblers, by Gordon Moody; effects of problem gambling on spouses, by Valerie Lorenz; and Gamblers' Anonymous as religion and as addiction recovery, by Iain Brown.

Volumes are available at a cost of $60 per volume, or $275 for the complete set. All volumes are individually bound in hard cover. For orders originating outside the United States and Canada, please add $15 per volume ($75 for the set) for postage. To order individual volumes of ***Gambling Research***, or the entire set, please indicate which volumes are to be purchased and send a check, money order or purchase order, made payable to the Board of Regents, University of Nevada-Reno, to the following address:

Gambling Research: Proceedings
Department of Economics
University of Nevada-Reno
Reno, NV 89557-0016

Telephone inquiries should be directed to **702-784-6850.**

University of Nevada-Reno
Nevada Review of
BUSINESS & ECONOMICS
Bureau of Business and Economic Research
College of Business Administration
Reno, Nevada 89557-0016

Nonprofit Org.
U.S. Postage
PAID
Reno, Nevada
Permit No. 26

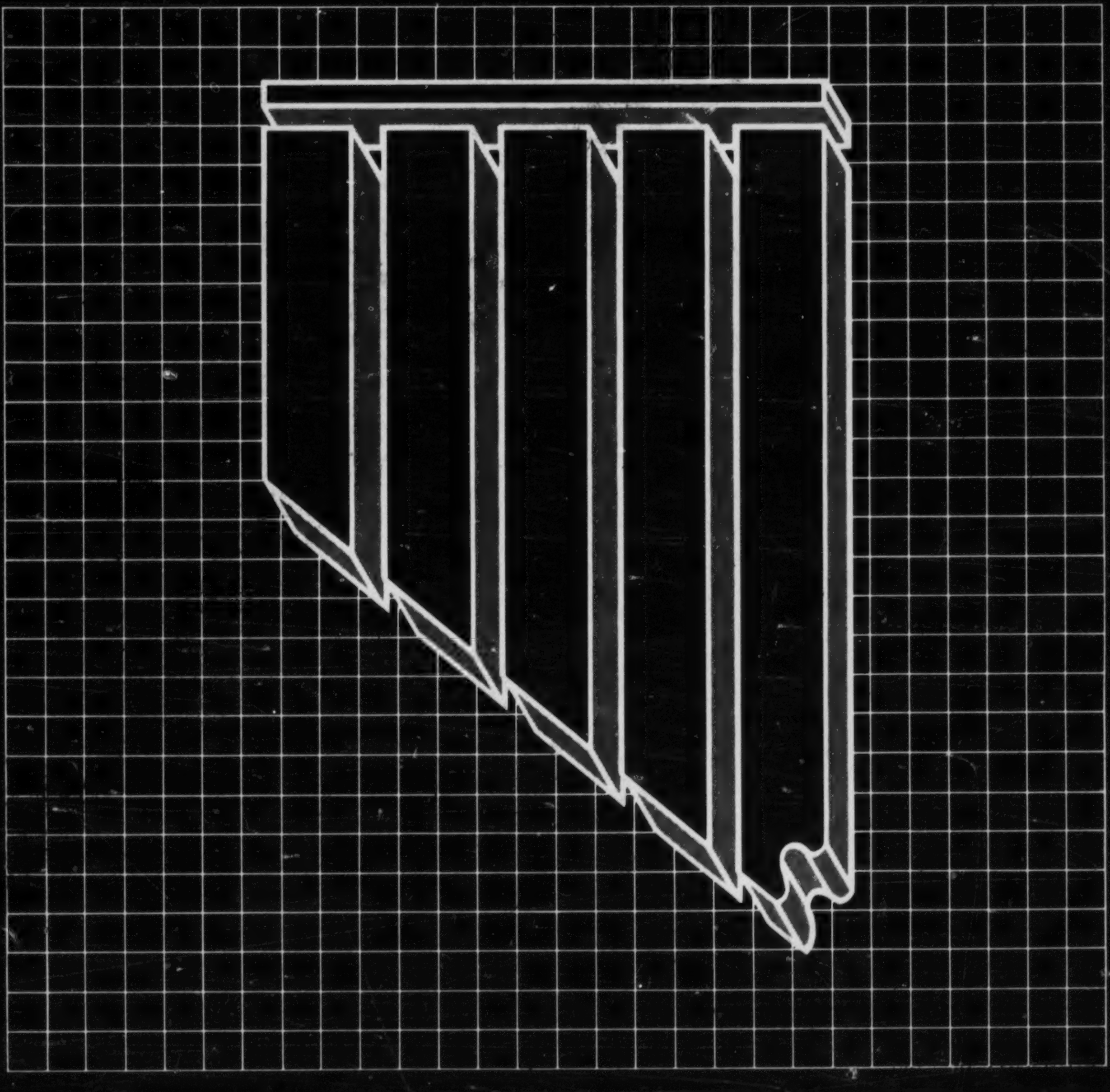
CONGRESS INFO SERV
SRI
4520 EAST WEST HWY
BETHESDA MD
20814

U7920-1
4/25/89

Spring/Summer 1988 Volume XII, Nos. 2 & 3

Nevada Review of
BUSINESS & ECONOMICS

Bureau of Business & Economic Research • College of Business Administration • University of Nevada-Reno



Nevada Review of BUSINESS & ECONOMICS

University of Nevada-Reno
Joseph N. Crowley, *President*

College of Business Administration
Henry Amato, *Dean*

Bureau of Business and Economic Research
David R. Seymour, *Director*
Thomas F. Cargill, *Editor*
Martin Kyte, *Operations Manager*
Jan Leininger, *Asst. to the Editor*

Research Staff:
Dottie Clevenger
Philip Cooney
Sarah Fry
Anne Genseal
Dan Guild

Nevada Review Business & Economics

Copyright 1988 by
Bureau of Business and
Economic Research
University of Nevada - Reno
Reno, NV 89557-0016

Telephone: (702) 784-6877

Foreign Subscriptions:
$15.00 (U.S.)

Editorial Advisory Board

Glen Atkinson, Professor of Economics, University of Nevada-Reno, Reno, NV.
William Bible, Chairman, Gaming Control Board, Carson City, NV.
William T. Cummings, Assistant Dean, College of Business and Economics, University of Nevada-Las Vegas, Las Vegas, NV.
William R. Eadington, Professor of Economics, University of Nevada-Reno, Reno, NV.
Kyung-Il (Ed) Ghymn, Professor of Managerial Sciences, University of Nevada-Reno, Reno, NV.
Andrew Grose, Executive Director, State of Nevada, Commission on Economic Development, Carson City, NV.
William S. Hallagan, Associate Professor of Economics, Washington State University, Pullman, WA.
James Hanna, State of Nevada, Employment Security Research, Carson City, NV.
Thomas Harris, Associate Professor of Agricultural Economics, University of Nevada-Reno, Reno, NV.
Gary Horton, Financial Economist, Nevada National Bank, Reno, NV.
Michael C. Keeley, Senior Economist, Federal Reserve Bank of San Francisco, San Francisco, CA.
Lee R. McPheters, Director, Economic Outlook Center, Arizona State University, Tempe, AZ.
Robert A. Meyer, Jr., Associate Dean, School of Business Administration, University of California-Berkeley, Berkeley, CA.
Ted Mitchell, Associate Professor of Marketing, University of Nevada-Reno, Reno, NV.
Harold C. Nathan, Senior Financial Economist, Wells Fargo Bank, N.A., San Francisco, CA.
Kambiz Raffiee, Assistant Professor of Economics, University of Nevada-Reno, Reno, NV.
R. Keith Schwer, Director, Center for Business and Economic Research, University of Nevada-Las Vegas, Las Vegas, NV.
John M. Strefeler, Associate Professor of Accounting and Information Systems, University of Nevada-Reno, Reno, NV.
Gary Walton, Professor, Graduate School of Management and Department of Economics, University of California-Davis, Davis, CA.
Robert C. Weems, Dean Emeritus, College of Business Administration, University of Nevada-Reno, Reno, NV.
Samuel E. White, Professor of Business Administration, Portland State University, Portland, OR.

CONTENTS

Street Crime in Atlantic City, New Jersey: An Empirical Analysis 2
Ronald G. Ochrym

The Incidence and Implications of Financial Stress in Nevada's Agricultural Sector 8
David K. Lambert and Lani Linebaugh

Pregnancy Leave Controversy: Business and Labor Policy Implications 14
William A. Nowlin and George M. Sullivan

Nevada Economic Indicators:

Statewide Statistical Data 21
Las Vegas MSA Data 22
Reno MSA Data 23
Nevada Statistical Data by County 24

Selected U.S. Economic Indicators 26

General Editorial Policy

The *Nevada Review of Business and Economics* is a quarterly publication of the Bureau of Business and Economic Research, College of Business Administration, University of Nevada-Reno. Articles published in the *Review* are refereed and subject to United States copyright laws. The *Review* seeks to publish articles that focus on the business and economic environment of Nevada and the Western Region of the United States. Papers that focus on national or international topics will also be considered for publication if they either relate the topic to business and economic concerns of the Western Region or deal with a topic of sufficient interest to the Western Region. Papers can be nonquantitative or quantitative; however, in both cases, papers should focus on policy issues regarding the business and economic environment. In the case of quantitative papers, technical discussions should not be the focal point of the paper; and those cases where technical discussions are necessary, they may be more appropriately relegated to a technical appendix. The editorial policy of the *Review* is designed to reflect the interests of the readership which consists primarily of professionals in the business community, government officials and policymakers, and adademics in Nevada and the Western Region of the United States. All manuscripts should be addressed to the Editor, *Nevada Review of Business and Economics*, Bureau of Business and Economic Research, University of Nevada-Reno, Reno, NV 89557-0016.

Street Crime in Atlantic City, New Jersey: An Empirical Analysis

*by Ronald G. Ochrym**

Introduction

The legalization of casino gambling in Atlantic City, N.J., in 1976 has resulted in many changes in the city's skyline. Even more important are the political, social and economic effects which accompanied the legalization of gaming. Only recently have these effects become evident.

Ten years after the hope-filled genesis of casino gaming, critics argue that gaming has not lived up to its pre-gaming expectations (i.e., Sternlieb and Hughes, 1983; Ochrym, 1983). Although Atlantic City has been the recipient of positive economic benefits in the form of new investments, tax revenue, creation of new jobs, and stimulation of ancillary industries, it has also been plagued by increased street crime, an infrastructure inadequate to handle tourists and revitalization restricted to the casino-hotel properties. Pro-casino advocates, who painted a grand vision of rebirth for Atlantic City prior to the legalization of gaming, have redefined their expectations for economic prosperity. They contend a second wave of casino-hotel development is necessary if gaming is to reach its full economic impact. The key question is: what has casino gaming done for the State of New Jersey in general and Atlantic City in particular? Although there are many areas worthy of investigation, the impact of casino gaming on street crime and tourism will serve as the focus of this paper.

Background

A common theme expressed by opponents of legalized gaming is the allegation that casino gaming will result in an increase in street crime (i.e., State of New York, Office of the Attorney General, 1981; Danziger, 1983). This argument was echoed by New York State Attorney General Robert Abrams who, in the wake of the movement to legalize casino gaming in the "Empire State" in 1981, released a report assessing the impact of casino gaming in Atlantic City and Las Vegas (State of New York, Office of the Attorney General, 1981). Abrams concluded that any economic benefits received by New York State from casino gaming would be outweighed by the "corrosive and disruptive effects," in particular street crime, which would be likely to occur in communities where casinos would be located. The report emphasized that in the four years since casino gaming was introduced, street crime in Atlantic City had increased more than 171 percent, compared to a state-wide increase of 26 percent. Abrams noted that between 1979 and 1980, when five new casinos were opened, reported crime increased more than 107 percent. In 1980, crime rose more than 70 percent, compared to 1979.

Crime was not confined to the Atlantic City area, according to Abrams. The communities surrounding Atlantic City, in particular Ocean City and Egg Harbor, also experienced a significant rise in crime. Local officials, Abrams added, attributed the increase in street crime to the casinos located in Atlantic City. Abrams concluded:

> Legalized gambling, by its very nature, creates an environment in which crimes of all types flourish. With law enforcement agencies and other elements of the criminal justice system barely able to hold their own against existing criminality, it is difficult for me to conceive how they can be expected to handle the tremendous increase in street and petty crime that will accompany casino gambling. As disturbing as these crime statistics from Atlantic City must be to anyone considering the implications of legalized casino gambling in New York communities, the cold numbers do not reflect the distressing impact that Atlantic City's casino-natured crime has had on that city for residents and visitors alike (State of New York, Office of the Attorney General, 1981).

Several New Jersey newspapers have also been critical of the rising crime rate in Atlantic City since the legalization of gaming. *The Atlantic City Press* (1980) reported that Atlantic City was suffering from a "staggering crime wave in the wake of casino gambling." More recently, in a study funded by the Twentieth Century Fund, George Sternlieb and James W. Hughes (1983) were highly critical of the amount of street crime which has plagued Atlantic City since 1976.

Proponents of casino gaming, who predicted economic revitalization for Atlantic City prior to the legalization of gaming, have been critical of these and other negative reports. Martin Danziger (1983), a former member of the New Jersey Casino Control Commission, stated that although the number of crimes in Atlantic City increased, "in comparison to New Jersey as a whole, the rate has slowed." Danziger noted that during 1977, the State of New Jersey had a violent crime rate (which includes murder, rape, robbery and assault) of 3.9 per 1,000 people in comparison to 7.1 for Atlantic City. In 1980, while Atlantic City's rate increased to 9.4, New Jersey's violent crime rate increased to 6.0, a higher percentage gain (58 percent) compared to Atlantic City (32.4 percent). Danziger's claim appears to contradict the Abrams report. Has casino gambling resulted in an increase in street crime in Atlantic City?

The literature assessing street crime in Atlantic City suffers from two major problems. First, it assumes the escalation in street crime is a result of legalized casino gaming. It also fails to discuss other variables, in particular tourism, which may be related to the increase in street crime. The second problem concerns the failure of the authors to incorporate any statistical procedures in their respective analyses. Comparing crime statistics using either a year by year comparison (i.e., Abrams) or picking arbitrary years (i.e., Danziger), both on a percentage basis, are inappropriate techniques for anyone seriously interested in assessing crime in a particular city or state. Regression analysis provides an alternate and more effective measurement tool.

---

*Ronald G. Ochrym is a consultant and author of gaming articles, living in Clifton Park, N.Y.

Literature

Numerous studies have documented a statistical relationship between increased crime rates and tourism in resort areas. Fukunaga (1975) examined the incidence of major crimes as a component of his study into the social and economic effects of the development of a resort complex in a rural area on the island of Hawaii. He noted that in the five years after the resort opened, crime increased more than 300 percent.

Fujii and Mak (1980), who also investigated whether tourism generated "environmental externalities in the form of increased crime against persons and property" in the State of Hawaii, observed that tourism in general apparently leads to a higher increase in street crime than does a comparable increase in other population subgroups such as permanent residents. Fujii and Mak added that although their findings indicated that "tourism growth does indeed lead to increased crime in visitor destinations," one should not assume that tourism-generated crimes are committed only against tourists. Data limitations prevented the authors from identifying the direct victims of crime.

Cheaney-Lind and Lind (1986) also studied the relationship between crime and tourism for Hawaii and found that the two were related.

McPheters and Stronge (1974), who studied tourism in Miami, Fl., found crime to some extent "an externality or by-product" of the tourism industry. They concluded that "the overall relationship between the seasons in crime and tourism is significant, and this appears to reflect significant relationships between tourism and robbery, larceny and burglary" (1974, 289-90). Similar observations were reported by Jud (1975) who examined the relationship between tourism and crime in each of the 32 states and territories of Mexico. He found, as did McPheters and Stronge, that "major crimes against property (fraud, larceny and robbery) appear to be strongly related to tourism" (1975, 328). He added "the crimes against persons (assault, murder, rape, abduction and kidnapping) are, at most, only marginally associated with foreign tourist business" (1975, 328).

In general, the literature suggests that tourism and increases in street crime in resort destinations are related. The authors cited above have provided several rationales to explain the relationship between tourism and increased street crime.[1] First, tourists usually carry large sums of money, along with valuables (i.e., jewelry, camera equipment, etc.), which make them an easy target. Second, tourists, as opposed to the perpetrators of crime, are usually unfamiliar with their surroundings. Finally, tourists are less likely to return to testify because of cost and financial restraints. Clearly, it is of paramount interest to residents of tourist areas, government officials and tourism management organizations to establish whether, and to what extent, tourism and street crime are related.

Model

Studies assessing the impact of casino gaming, particularly in Atlantic City, cite the legalization of gaming as the causal factor for the increase in street crime and fail to offer any substantive analysis with respect to tourism. In this study, we examined the effects of both the legalization of gaming and tourism on street crime in Atlantic City. The model below hypothesizes that tourism may be both a result of the legalization of gaming and a causal factor of street crime (see Figure 1).

The model also investigates the alleged causal factor for the increase in street crime, the legalization of gaming. One additional variable, the daily gaming revenue per casino-hotel, was also included in the study to provide for additional analysis and comparison.

Data and Methodology

The term "street crime" is quite ambiguous and therefore creates a problem for analysis. Since 1967, New Jersey state law requires all municipalities to transmit an annual crime report to the New Jersey State Police which issues an annual crime report for the state--*The Uniform Crime Report* (State of New Jersey, New Jersey State Police, 1968-1985)-- containing a variety of statistics on various types of crimes. Since many states throughout the United States have developed crime reporting systems, the Federal Bureau of Investigation (FBI) established guidelines for the classification of types of crimes to facilitate comparative analysis. Many states, including New Jersey, follow FBI guidelines.

The major component of the FBI reporting system is the annual "crime index." Law enforcement agencies throughout the United States have used this index as a barometer to measure street crime. The index is composed of the total number of murders, rapes, robberies, assaults, breaking and enterings, larcenies and automobile thefts for a particular year for a particular state, county or local government. The FBI has chosen to concentrate on these seven types of crimes, almost to the exclusion of all others, as they are the most likely ones to be reported to the police and because they "occur with 'sufficient frequency' to provide an adequate basis for comparison."

Tourism figures have only recently been reported. Since 1976, the New Jersey Expressway Authority has provided annual estimates as to the number of tourists who visit Atlantic City. In 1986, the New Jersey Expressway Authority estimated that approximately 30 million tourists visited the city. On a daily basis, tourists represented an additional 82,000 individuals in addition to the resident population of 37,140.

Utilizing the Uniform Crime Reports and the figures provided by the New Jersey Expressway Authority, the effects of both the legalization of gaming and tourism on street crime can be investigated by utilizing four procedures. First, pre- and post-gaming periods were examined, through the use of an interrupted times series model, to determine if the two periods were in fact different. Pre- and post-gaming periods for Atlantic City were compared, utilizing a dummy variable for gaming (pre-gaming: 1967-76 and post-gaming: 1977-86).[2] The incidence of crime was measured as the number of crimes or "crime index" divided by the population and multiplied by 1,000. This variable was regressed on the dummy variable over the period from 1967 through 1986 (Equation 1):

Equation 1

$$CR_t = a_1 + a_2D_t + e_t$$

where a_2 is hypothesized to be positive, and
D_t = 0 for pre-gaming years
D_t = 1 for post-gaming years
C = Crime Index for Atlantic City
P = Atlantic City Resident Population
CR = (C/P X 1000)
e = Residual

Supplementing this part of the study was simple time-regression analysis of, separately, pre- and post-gaming periods, to determine the crime growth rates unique to each period for Atlantic City, Atlantic County and the State of New Jersey.[3] (Atlantic County's and the State of New Jersey's crime figures do not include those crime figures for Atlantic City. This procedure was employed to avoid Atlantic City's crime figures from affecting the crime rates for Atlantic County and the state of New Jersey). In this first part of the analysis, since tourism figures have only been estimated since 1977, only the relationship between crime and pre- and post-gaming periods was analyzed.

The second procedure focused on the period from 1977 through 1986 when tourism figures are available. The gaming variable, referred to as the legalization of gaming, was measured as the total daily gaming revenue of the casino-hotels in a given year (DGR). The incidence of crime was then regressed against each of these variables in the following way:[4]

Equation 2

TOURISM:

$$CR_t = a_1 + a_2T_t + e_t$$

where a_2 is hypothesized to be positive, and
T = Average Daily Tourist Population for Atlantic City

Equation 3

LEGALIZATION OF GAMING:

$$CR_t = a_1 + a_2DGR_t + e_t$$

where a_2 is hypothesized to be positive, and
DGR = Daily Gross Gaming Revenue for Atlantic City Hotel-Casinos

A third procedure examined, through multiple regression analysis, the relationship of street crime with tourism/legalization of gaming and the daily gross gaming revenue generated per casino-hotel (based on $100,000). The following equation was specified:

Equation 4

$$CR_t = a_1 + a_2(T/DGR)_t + a_3(DR/H)_t + e_t$$

where a_2 and a_3 are hypothesized to be positive, and
T/DGR = Tourism/Legalization of Gaming
DR/H = Daily Gaming Revenue Per Casino-Hotel

Multiple regression analysis and examination of beta coefficients and the Durbin-Watson statistic were utilized as the analytical techniques best suited to test the hypothesis incorporated in the model of the effects of tourism/legalization of gaming over the period from 1977 to 1986. The beta coefficients provide a method of overcoming problems associated with statistically examining differing units (i.e., street crime, tourism/legalization of gaming, and daily gaming revenue per casino-hotel). The adjusted R square and Durbin Watson statistic are presented with the results of our analysis.

The analysis concluded with a comparison of Atlantic City crime rates with those of two of New Jersey's more popular tourist destinations, Wildwood City and Seaside Heights. Mean crime rates per 1,000 residents for the three cities were compared to determine if they were statistically different over the post-gaming period. Analysis of variance was utilized to test the null hypothesis that there was no difference between the three mean values.

Crime Analysis

It is apparent that Atlantic City currently has the highest crime rate in the state of New Jersey, with roughly 418 crimes for every 1,000 residents in 1986 (State of New Jersey, New Jersey State Police, 1986). This figure is quite high when compared with Atlantic County where there were 48 crimes per 1,000 persons or with the state, which averaged 51 crimes per 1,000 people.[5] Analysis of the dummy variable confirms street crime has increased significantly in post-gaming Atlantic City compared to the pre-gaming period (see Table 1).

Table 1

Dummy Variable Result

$$CR_t = 100.77 + \underset{(5.10)^*}{199.60D_t}$$

R2 = 0.61
(t-values)
*Significant at .05

Employing growth rate regression analysis before (1967-76) and after (1977-86) the legalization of casino gaming demonstrates Atlantic City's crime rate increased at a slightly higher rate when compared to the state's rate. Regression analysis generated a slope of 4.80 for Atlantic City for the period 1967-76 and a slope of 4.01 for the state for the same period. (The slope registers the average increase/decrease per year per 1,000 people). However, during the ten years after the legalization of casino gaming (1977-86), Atlantic City experienced a significantly higher increase in street crime (slope = 37.36) compared to the rest of the state (slope = -0.67). Atlantic County's crime figures, which exclude crime data for Atlantic City, registered a decreasing rate (slope = -0.71) over the post-gaming period. (Table 2 presents four components of the crime variable for Atlantic City with their pre- and post-gaming regression coefficients).

Table 2

Street Crime in Atlantic City: Pre- and Post-Gaming/1000 Residents

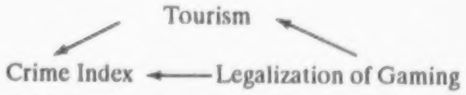
	Pre-Gaming	Post-Gaming
	(Growth Rate Coefficients)	
Robbery:	0.68	0.95
	(2.90)*	(2.93)*
B & E:	0.53	1.62
	(0.87)	(2.00)
Larceny:	2.99	33.89
	(2.04)	(7.50)*
Auto Theft:	-0.47	0.21
	(-1.16)	(0.35)

(t-values)
*Significant at .05

Proponents of casino gaming expressed their dismay over the failure of many (i.e., Abrams) to incorporate tourism figures in their respective analyses. Atlantic City experiences a unique problem in this regard. There are now more tourists in Atlantic City daily than there are inhabitants (82,000 tourists daily versus 37,140 inhabitants in 1986). Only recently have figures pertaining to the number of tourists in Atlantic City become available. Incorporating the daily tourism figures for each year with the base population, Atlantic City crime rate figures still showed a higher rate of increase (slope = 4.10) compared to pre- and post-gaming periods for both Atlantic County (slopes of -1.21 and -0.71, respectively) and the state of New Jersey (slopes of -1.17 and -0.67, respectively). It is interesting to note that the pre-gaming Atlantic City figures, which do not include tourists, remain comparable to the post-gaming figures which include tourists. Inclusion of tourism in the analysis does not alter the fact that there has been a change in street crime in Atlantic City subsequent to the legalization of casino gaming.

The previous analysis provided a cursory examination of pre- and post-gaming periods. The analysis demonstrated that the two periods appear to be statistically different. To determine whether street crime is significantly and independently related to the legalization of gaming and tourism, the second statistical procedure was used (see Figure 1 and Equations 2 and 3).

Figure 1



In examining the post-gaming era, simple regression analysis confirms that the legalization of casino gaming is not the only factor relating to the increase in street crime in Atlantic City. Regression analysis has demonstrated that tourism and the legalization of gaming separately explain significant portions of the variation in street crime (see Table 3).

Table 3

Street Crime with Legalization of Gaming

$$CR_t = 82.4 + \underset{\substack{(6.70)^* \\ (\text{Beta} = 0.92)}}{0.00005DGR_t}$$

R2 = 0.85
DW = 1.67

Street Crime with Tourism

$$CR_t = 142.9 + \underset{\substack{(8.01)^* \\ (\text{Beta} = 0.94)}}{0.004T_t}$$

R2 = 0.89
DW = 1.79
(t-values)
*Significant at .05

Tourism and the legalization of gaming, which was the catalyst for tourism growth in Atlantic City,^{6} were highly correlated to each other. The estimated regression which included both tourism and gaming indicated that tourism had a positive and significant impact on crime; however, the gaming variable was negative and insignificant. These results are consistent with a high degree of multicollinearity between the two variables.

The third procedure, which combined the data operationalized for the legalization of gaming and tourism, provided a means by which to develop a model to analyze the effects of street crime with tourism/legalization of gaming and the daily gaming revenue per casino-hotel. The new variable utilized to analyze tourism/legalization of gaming was positive and significant. The gaming revenue per casino-hotel variable, however, was negative and statistically significant (see Table 4). This again suggests a high degree of multicollinearity between the two variables, making it difficult to isolate their separate influences on crime.[7]

Table 4

Street Crime in Atlantic City, New Jersey

$$\begin{array}{lll} CR_t = 82.92 & + 6.78\,(T/DRG)_t & - 0.29\,(DR/H)_t \\ & (7.06)^* & (-2.47)^* \\ & (\text{Beta} = 1.23) & (\text{Beta} = -0.47) \end{array}$$

$R2 = 0.91$
$DW = 1.41$
(t-values)
*Significant at .05

The final procedure incorporated into the analysis provided an alternative approach to analyze the legalization of gaming and street crime since the previous steps found the existence of multicollinearity in the data. Crime figures for Atlantic City, Wildwood and Seaside Heights were compared. Over the ten-year post-gaming period Wildwood City and Atlantic City had comparable mean crime rates per 1000 residents. In examining the post-gaming era to determine if the mean crime rates were statistically different, analysis of variance demonstrated the mean crime rates for Atlantic City, Wildwood and Seaside Heights were not statistically different. Street crime in all three communities (including post-gaming Atlantic City) were similar (see Table 5).

Table 5

Analysis of Variance Summary Table:
Mean Crime Rates for Atlantic City,
Wildwood and Seaside Heights

Source of Variation	Sums of Squares	Degrees of Freedom	Mean Squares	F
Between Groups	28,590.02	2	14,295.00	
Within Groups	147,932.86	27	5,478.99	2.61*
Total	176,522.86	29		

*Not significant at .05

Policy Implications

One may argue that casino gaming brought tourism into the Atlantic City community and is a causal factor of street crime. We can conclude that tourism has had an effect on street crime in Atlantic City. What should be emphasized is that if gaming was legalized in communities which are predominantly tourist areas, street crime should increase only minimally in proportion to population (including tourism) to crime. Specifically, if gaming was legalized in non-tourist areas, i.e. pre-gaming Atlantic City, crime would increase dramatically. Atlantic City, as a resort in 1976, had long since lost both its reputation as the "Queen of Resorts" and tourists.

Regression analysis has demonstrated that casino gaming should not be assumed to be the impetus of street crime, as significant and positive relationships were found between street crime and both tourism and the legalization of gaming. This finding was supported by the fact that two non-gaming tourist destinations (Wildwood and Seaside Heights), compared with Atlantic City, had comparable mean crime rates. One should add that while Seaside Heights and Wildwood City enjoyed limited tourist economies (June-September), gaming has provided Atlantic City with a year-round tourist economy.

The policy implication of the legalization of casino gaming may be that its legalization creates a tourist environment which "criminals" actively seek as the probabilities of detection and arrest are small. Street crime in tourist areas may, as McPheters and Stronge (1974, 288-92) suggested, be "an externality or by-product" of the tourism industry. Researchers have also documented that tourists are less likely to return "to the scene of the crime" as costs (i.e., air fare, hotel, etc.) are high and insurance claims have provided for any losses.

Prior to the legalization of gaming, pro-casino advocates predicted economic prosperity if gaming was legalized in Atlantic City. However, gaming has not provided the catalyst for economic revitalization. Except for the casino-hotel properties, Atlantic City retains much of its pre-gaming economic and social fabric. Many now argue that further economic expansion of the casino industry, which is currently taking place, must occur in Atlantic City. The continued expansion in the city "must" be accompanied by an expansion of the housing market. Added city revenue could be used to hire more police officers and expanded casino development could spur new jobs. The resulting population growth would support a wider range of additional services and retail establishments. If these events do occur, street crime in Atlantic City may decrease. However, for the present, street crime in Atlantic City appears to be both directly (tourism) and indirectly (gaming) related (see Figure 1) to the revitalization of Atlantic City through casino gaming.

Our findings are preliminary and additional investigation of legalized gaming and street crime is essential for a proper evaluation. Since the study examined only three of the many possible causal variables, the results should be viewed as suggesting of a relationship which needs to be confirmed. The existence of multicollinearity in the data presented a problem which is difficult to address and may have biased the results. However, future studies utilizing better data and additional resources need to be undertaken. In addition, casino gaming should be allowed more time before any judgment regarding its impact is made final.

Conclusion

This study examined an increase of street crime in Atlantic City. Fortunately, this increase has been confined to Atlantic City, as statistical analysis indicated a decline in the crime index for Atlantic County. The study did demonstrate that casino gaming, statistically, was not the only significant factor explaining the increase in street crime. It was also shown, despite the existence of multicollinearity, that the increase in street crime in Atlantic City is significantly related, at least in part, to tourism. This finding was supported by the fact that the mean crime rates of two non-gaming communities (Wildwood City and Seaside Heights) were found to be statistically similar to Atlantic City's crime rate. Casino gaming was the catalyst for tourism as Atlantic City became a major resort-destination on the East Coast.

Notes

1. The authors of the literature cited in this study have provided various explanations which they believe explain the relationship between crime and tourism. The list presented in this paper provides a collective summary of those respective authors.

2. The legalization of casino gaming for statistical purposes was defined as the years 1977 to 1986. 1977 was chosen as it marked the year in which Governor Bryne signed the legislation which authorized casino gaming in Atlantic City, the beginning of the construction of casino-hotels and the revitalization of Atlantic City.

3. This method provided estimates (slopes) with respect to the annual increase (or decrease) in street crime per 1000 residents unique to the pre- or post-gaming period.

4. Unemployment figures were also analyzed. However, although unemployment was statistically significant with the legalization of gaming, inclusion as an independent variable during multiple regression analysis resulted in no significance. This result does not suggest that unemployment did not have any association with street crime or any predictive power. It meant that unemployment had no additional significant association with street crime over and above that which is contained by the variables in the multiple regression equation: tourism/legalization of gaming and daily gross gaming revenue per hotel-casino. These two variables collectively accounted for approximately 91 percent of the variation in street crime. It should be noted that unemployment had a negative correlation with tourism/legalization of gaming indicating a decline in unemployment over the post-gaming period.

5. Atlantic County's and the State of New Jersey's crime figures do not include those crime figures for Atlantic City. This procedure was employed to avoid any bias which may have resulted from Atlantic City's crime figures incorporation in both Atlantic County and State of New Jersey crime figures.

6. The legalization of gaming was also statistically significant as an explanatory variable of tourism ($r2 = .98$, $t = 24.43^*$, D.W. = 1.60; * significant at .05). Casino gaming was the catalyst for tourism growth in Atlantic City.

7. Simple regression analysis also found a significant and negative relationship between the number of casino-hotels and the daily gaming revenue per casino-hotel.

References

Atlantic City Press, 22 Dec. 1980,1.

"Behind the Boardwalk." *The Bergen Record,* 9 July 1984, A-12.

Cheaney-Lind, Meda and Ian Y. Lind. "Visitors as Victims, Crimes Against Tourists in Hawaii." *Annals of Tourism Research* 13 (1986):167-191.

Danziger, Martin. "The Last Word." *Gaming Business Magazine,* June 1983,66+.

Fukunaga, Lawrence. "A New Sun in Kohala: The Socio-Economic Impact of Tourism and Resort Development on a Rural Community in Hawaii," in Finney and Watson (editors), *A New Kind of Sugar: Tourism in the Pacific.* Honolulu, Hawaii: East West Center, 1975.

Fujii, Edwin T. and James Mak. "Tourism and Crime: Implications for Regional Development Policy." *Regional Studies* 14 (1980):27-36.

Jud, G. Donald. "Tourism and Crime in Mexico." *Social Science Quarterly* 48 (1975):325-331.

Kennedy, Peter. *A Guide to Econometrics.* Cambridge, Mass.: The MIT Press, 1979.

Lehne, Richard. *Casino Policy.* New Brunswick, N.J.: Rutgers University Press, 1986.

McPheters, Lee R. and William B. Stronge. "Crime as an Environmental Externality of Tourism: Miami, Florida." *Land Economics* 50 (No. 3 1974):288-91.

Ochrym, Ronald G. "Gambling in Atlantic City: The 'Grand Vision' Blurs." *National Civic Review* 72 (Dec. 1983):591-96.

State of New Jersey, Casino Control Commission, *New Jersey Casino Control Commission Annual Reports,* Trenton, N.J., 1979-1985.

State of New Jersey, Department of Labor, *Annual Labor Market Review,* Trenton, N.J., 1983-1985.

State of New Jersey, *New Jersey State Police, Uniform Crime Reports,* Trenton, N.J., 1968-1985.

State of New York, Office of the Attorney General, *Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State,* Albany, N.Y., 1981.

Sternlieb, George and James W. Hughes. *The Atlantic City Gamble.* Cambridge, Mass: Harvard University Press, 1983.

Walmsley, D. James, Rudiger M. Boskovic and John J. Pigram, "Tourism and Crime: An Australian Perspective." *Journal of Leisure Research* 15 (No. 2 1983):136-145.

The Incidence and Implications of Financial Stress in Nevada's Agricultural Sector

*by David K. Lambert and Lani Linebaugh**

Introduction

Agricultural producers in the United States have been experiencing financial difficulties in the 1980's unparalleled since the Great Depression (Duncan and Drabenstott, 1985). The number of farms and ranches has declined more than six percent since 1980. The market value of farm assets, led by decreasing farmland values, has fallen nearly 27 percent over the same period. Average farm debt to asset ratios, reflecting falling asset values and increased indebtedness resulting from low product prices, have risen from lows of 16 percent in the 1970's to 25.5 percent in 1985 (Economic Research Service, 1986).

The distribution of financial stress has not been evenly distributed among farm firms. The most severely affected segment of the industry has been the middle-sized producers with annual sales between 50,000 and 500,000 dollars (Economic Research Service, 1985). The highest percentage of the troubled businesses are in this group, with 6.4 percent of the group being technically insolvent (i.e., debts exceed assets) in 1985 (Economic Research Service, 1985). The extent of the problems facing these medium-sized producers has led several authors to predict a bimodal distribution of farm sizes within the agricultural industry, with most of the farms being small and most of the value of production originating from fewer, larger farms. Recent trends in the concentration of production do not dispute these projections (Smith, Richardson, and Knutson, 1984).

Although aggregate data do indicate that Nevada's producers are experiencing worsening capital positions (Economic Research Service, 1984), no empirical data exists describing the extent or the incidence of financial stress among the producers of the Silver State. This study was undertaken to collect and analyze data relating to agricultural problems within the state.

The main objective of the study was to assess the current economic condition of Nevada's producers. The following items were addressed:

1. How do such socio-economic factors as rancher age, value of farm production, and farmer experience affect an operation's financial condition?
2. How long do individual farmers and ranchers expect to be able to continue operating under present economic conditions, and what factors effect these expectations?
3. Are Nevada producers current in servicing debt?
4. What is the economic condition of Nevada's producers relative to the rest of the nation's agricultural producers?

Concluding comments address the prospects for producers currently facing severe financial stress.

Methodology

Questionnaires were mailed in March and April of 1986 to 300 Nevada farmers and ranchers randomly selected from Cooperative Extension mailing lists. Questions concerned the producers' present financial positions and sought opinions on how to deal with the farm credit problem. The sample represented 20 percent of the 1,500 Nevada farmers and ranchers on the mailing lists. Sixty-one usable surveys were returned, representing a 20.3 percent return rate.

Both the sample size and the number of usable returned surveys are typical for studies of this sort. The 20.3 percent return rate of the Nevada survey compares favorably with rates experienced by New Mexico (23.6 percent, New Mexico Department of Agriculture, 1984), Colorado (17.7 percent, Timmermeier and Garland, 1986), and North Dakota (31.9 percent, Pederson et al., 1985) in similar studies of financial stress in agriculture. Higher return rates were found in Idaho (66.9 percent, Meyer and Hardner, 1985) and Wyoming (48.9 percent, Vanvig and Hundley, 1986). Both of these states improved their response rates by conducting telephone interviews with those sampled producers not responding to the initial mail questionnaire.

Sample size as a percentage of the population in the states listed above ranged from a low of 9.5 percent in Colorado to a high of 22.5 percent in Wyoming. Nevada's sample percentage of 20 percent of the producers found on Cooperative Extension mailing lists, though small in absolute number compared to other states, is typical of samples drawn for these studies.

Responses were tabulated and standard statistical procedures were used to analyze the results. Individual observations on debt to asset ratio were tested for correlations with gross sales, length of time the producer has been operating, age of the respondent, and organization of the firm. It was expected that age and length of tenure would be negatively related to debt to asset ratio because younger producers usually have high debt loads associated with starting out in business. Gross sales were expected to be positively related to debt to asset ratio since larger operations usually have to borrow heavily to reach their high production levels.

---

*David K. Lambert is an Assistant Professor of Agricultural Economics at the University of Nevada-Reno, Reno, NV. Lani Linebaugh, a former UNR professor, is now with the Farm Credit Administration in Sacramento, CA.

Investigating the factors responsible for ranch failures was not possible using cross sectional data. Since these factors are important for policy development, it was desirable to identify the producer characteristics most associated with ranch failure. A logit model was used to associate subjective beliefs about how long a producer would remain in business with several socio-economic variables. A grouping procedure described in Pindyck and Rubinfeld (1981, p. 290) was used to stratify producers by age and debt to asset ratio.

Results of the regression would be used to estimate subjective expectations of continued ranch survival based on debt to asset ratio and on age of the producer. It was expected that there would be a high probability of the producer expecting to soon be out of business as the debt to asset ratio increased and as the age of the producer decreased.

Farm and Ranch Characteristics

Of the total acres that the sampled Nevada producers utilized, 90.7 percent was leased rangeland. This was expected since 85.5 percent of Nevada's land is public domain and most Nevada producers rely on public land grazing permits for a large portion of their cattle feed requirements. The remaining 9.3 percent of the total reported acres was evenly split among cropland, hayland, deeded rangeland and pasture.

Beef production is the major agricultural enterprise in Nevada (Nevada Agricultural Statistical Service). As seen in Table 1, 82 percent of the sampled producers owned livestock; 70.5 percent had some type of cattle operation.

Cattle sales make up 58.4 percent of the total gross income represented in the sample (Table 2). Cattle sales are followed by sales of alfalfa hay, 24 percent of the total income.

Distribution by Volume of Sales

Gross sales is a common measure of farm size. Average total gross income (including off-farm income) for all respondents was $153,344. Nevada farms and ranches are large compared to the national distribution. Table 3 illustrates this skewness towards larger production units. More than 85 percent of the farms and ranches in the United States have sales of under $100,000. In Nevada, on the other hand, more than 44 percent of the operations have sales over $100,000.

Table 1
Type of Livestock Operation

Type of Operation	Percent of Sample
Cow/calf	49.2%
Cow/yearling	19.7%
Stocker	1.7%
Ewe/lamb	3.3%
Other	6.6%
No livestock	18.0%

Although production units tend to be larger in Nevada, there appears to be a more even distribution of ranch units when ranked by sales volumes than is found in the national data. Figure 1 illustrates the distribution of total value of production among the different production units within Nevada and the United States. The straight line running from lower left to upper right represents the situation where gross sales would be distributed perfectly evenly among all ranches (i.e., 10 percent

Table 2
Gross Receipts from Ranch Marketing by Commodity

	Sample 1985		Nevada (1985)	
Commodity	% of Total Receipts	Total Receipts (1000's)	% of Total Receipts	Total Receipts (1000's)
Cattle and Calves	58.4	5,117	45.8	101,754
Dairy Products	*	*	15.1	33,408
Sheep and Lambs	0.7	57	3.1	6,954
Other Livestock	0.4	35	0.8	1,808
All Hay	27.7	2,429	20.1	44,662
Potatoe	*	*	6.0	13,358
Food & Feed Grains	0.8	73	3.6	7,954
All Other Crops (Including Pasture Rent)	1.7	149	5.5	12,166
TOTAL	100.0	8,760	100.0	222,064

***Note**: Figures withheld due to small number of sampled producers in these categories.
Source: Nevada figures from Nevada Agricultural Statistics Service (1986).

Table 3
Farm Size by Gross Sales; Nevada vs. U.S.

	Nevada (sample data)		United States	
Gross Sales	**% of producers**	**% of total income**	**% of producers**	**% of total income**
under 40,000	32.8	4.0	70.3	14.5
40,000-100,000	23.0	11.0	15.2	16.1
100,000-200,000	18.0	17.5	6.6	15.7
200,000-400,000	11.5	43.7	3.5	37.3

Source: National figures from Economic Research Service (1986).

of the value of production was produced on 10 percent of the ranches, 70 percent of the sales were produced on 70 percent of the ranches, etc.). Curves lying closer to this straight line represent more uniform distributions than those lying farther to the right and below. Trend data, not collected in this study, would be useful for indicating any tendency for increasing concentration in Nevada's agricultural sector.

Age and Length of Tenure

The majority of the sampled producers (62.3 percent) were over the age of 50. Only 4.9 percent of the sample were under 35 and 32.8 percent were between 35 and 49.

More than half of the producers surveyed (52.5 percent) had been operating for more than 25 years, an obvious correlation to the age distribution observed. Another 29.5 percent had been operating for 15 to 25 years; only 3.3 percent had been in business fewer than five years.

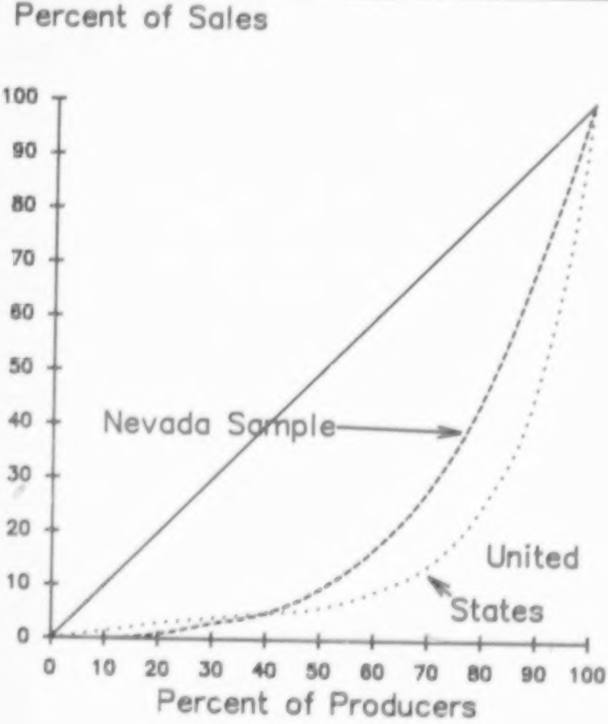


Figure 1. Percentage of farm sales versus percentage of farms.

Business Organization

The most common business organization was the sole proprietorship, comprising 67.2 percent of the sample. Partnerships accounted for 19.7 percent of the sampled operations and 11.6 percent were organized as corporations.

Financial Characteristics of the Sampled Producers

Debt Asset/Ratios

One measure of a firm's financial condition is the debt to asset ratio. This ratio measures the solvency of the firm, or the relationship between a firm's assets and the claims that are made against those assets. Average debt to asset ratios have been worsening nationally in the agricultural sector since the mid-1970's (Economic Research Service, 1986). The national agricultural balance sheet for 1985 estimated an average debt to asset ratio of 25 percent. The average ratio calculated from the survey data was 25.5 percent for Nevada's producers. Similar to the national data, however, there is a strong positive skewness in the distribution of the ratio among the producers (Figure 2).

Debt Servicing Characteristics

Operating loans, used to finance operations during the periods when cash needs exceed reserves, were held by 45.9 percent of the respondents. The remainder either operated on cash reserves or financed their operations from off-farm income sources. Of the 37 operating loans accounted for in the survey, 26 were current on both principal and interest. Ten of the loans were current only on interest; one was in arrears for both interest and principal payments.

Fifty-six of 73 real estate loans held by the surveyed producers were current on interest and principal, 12 were

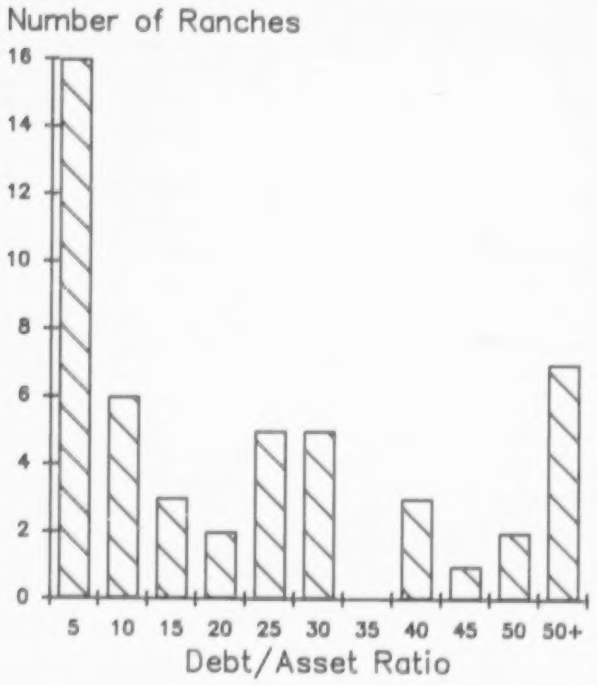


Figure 2. Debt/Asset distribution of sample ranches.

current only on interest, and five were delinquent on both interest and principal. Nearly one-quarter (24.6 percent) of the respondents did not have any long-term debt.

With respect to continued borrowing, 50 applications for new financing had been submitted by the respondents over the past five years. Eighteen percent of these applications were denied. This refusal rate compares with a 30 percent denial rate found in Idaho (Meyer and Gardner) and the 32 percent denial rate considered to be "normal" for Missouri, according to a survey of bankers conducted in that state (Bevins, 1985).

Statistical Analysis of Financial Position Factors

Table 4 contains the results of regression analyses conducted to identify personal and ranch characteristics associated with solvency problems among the sampled producers. Age of the respondent and years of ranching experience influenced the observed values of the debt to asset ratio. As both age and experience increased, debt to asset ratios declined. This relationship was not statistically significant for length of experience, but producers over the age of 65 had lower debt to asset ratios, significant at the 99 percent level. Weak evidence suggested that the group from 50 to 65 years of age were experiencing the highest debt to asset ratios.

Value of farm sales had a positive impact on the debt to asset ratio. Similar to findings in other states (Meyer and Gardner, 1985; Johnson et al., 1986), producers with sales of less than $40,000 had relatively low debt to asset ratios. Current hypotheses for this observation contend that, for this group of producers, farm or ranch income is a relatively minor proportion of total family income (Economic Research Service, 1985). Income from other sources is thus used to finance the part-time agricultural enterprise. Commercial producers, with annual sales exceeding $100,000 appeared to have the highest proportion of family income derived from off-farm sources, often must borrow funds for capital expenditures as well as operating expenses through the production year. Low output prices and high real interest rates have hampered these producers' ability to reduce financial obligations. The concluding section of this paper illustrates this problem.

The legal organization of the business had a strong influence on the debt to asset ratio. No significant difference was found between sole proprietorships and limited partnerships. Incorporated businesses did, however, have a significantly higher ratio of debts to assets.

Subjective Expectation of Ranch Survival Factors

With the recent nationwide reductions in the number of farms (Economic Research Service, 1986), knowledge of the factors associated with firm survival in the agricultural sector is important to developers of programs addressing farm profitability. The farms and ranchers included in the sample were thus asked to estimate how long they felt they would be able to continue operating with no major changes in the current agricultural environment. The majority of the producers (60.7 percent) felt that they would be able to remain in business for at least ten more years; however, 11.5 percent, believed that they would probably be unable to continue ranching for more than one more year.

Since the study was cross-sectional, actual survival of the operations surveyed could not be determined. Therefore, a logit model was estimated to correlate farmers' expectations of continued survival to their debt to asset ratio, a variable assumed to be closely tied to actual survivability of an operation. Logit models are commonly used to estimate the probability of a certain event's occurrence, given the values of a number of factors deemed important in determining the event's occurrence. In the current application, subjective feelings regarding the likelihood of continued operation were associated with several financial and socio-economic variables.

The results indicated that 22 percent of producers with debt to asset ratios of less than 20 percent felt they would be out of business within five years. Almost half (49.6 percent) of those whose ratio was between 20 and 50 percent also felt they would be out of business within five years.

The increasing age of the state's agricultural population is likely to continue if conditions detected in this study continue. The logit model was expanded to determine the effects of producer age on subjective beliefs of continued survival. Of the producers under the age of 50, 35.2 percent believed they would not be able to continue operating for more than five years under current conditions.

Table 4
Debt to Asset Ratio Related to Ranch and Individual Characteristics

Length of Tenure		15 years	15-25 years	More than 25 years
D/A Ratio		29.84	24.79	20.71
Standard Deviation		8.83	6.62	5.41
Observations		9	14	26

Gross Sales	Less than $40,000	$40,000 $99,999	$100,000 - $199,999	More than $200,000
D/A Ratio	4.73	20.3	37.68	32.38
Standard Deviation	8.35	10.72	7.10	6.59
Observations	19	10	6	13

Organization of the Firm		Sole Proprietorship	Partnership	Corporation
D/A Ratio		22.73	18.10	47.62
Standard Deviation		4.39	7.73	12.81
Observations		33	10	6

Age of Owner/Operation		Less than 50 years	50-64 years	More than 65 years
D/A Ratio		24.75	30.32	10.04
Standard Deviation		6.01	5.70	7.69
Observations		18	20	11

Result Implications for Nevada's Agricultural Sector

Various financial performance measures were evaluated for a representative Nevada ranch under different indebtedness levels to determine potential firm survival. Production costs and yield characteristics for a 520-acre Diamond Valley irrigated alfalfa ranch were derived from a 1986 Cooperative Extension enterprise budget (Lewis and Meyer, 1986). Financial performance indicators were calculated for this ranch with debt to asset ratios ranging from zero to one.[1] Results are reported in Table 5.

The results indicate that a representative Nevada alfalfa ranch is unable to withstand any significant level of financial liabilities in the 1986 agricultural economy. As liabilities increase from zero, the already marginal performance of the business deteriorates. Rates of return to equity decline, owner equity erodes each year, and cash flow balances become increasingly negative as the ratio of debts to assets increase. Similar results have been reported for Nevada livestock producers under various debt to asset ratios (Lambert and Torell).

Conclusion

Empirical results reported in this paper suggest that Nevada producers are not exempt from the financial stress that has affected the agricultural sector since the early 1980's. The average debt to asset ratio from a sample of Nevada producers is almost identical to the national average. Similarities in the distribution of financial difficulties were also observed between the state and national figures. Commercial producers, for whom agricultural sales constitute a large proportion of gross family income, are experiencing the worst solvency positions. Distribution of financial problems by age and by experience were generally not significant. However, older (over 65), more experienced respondents (with more than 25 years of ranching experience) tended to have lower debt to asset ratios.

Analysis of a representative Nevada ranch indicated that farmers and ranchers cannot produce themselves out from even low indebtedness levels. Production costs are so high and farm prices so low that ranchers will have difficulty servicing any level of debt. Changes in production processes, development of alternative marketing strategies, and use of marginal analyses in increasing economic efficiency are required for individual producers to survive and prosper under current conditions. Those individuals unable to adopt efficient management processes are likely to join the growing list of former agricultural producers.

Notes

1. The whole farm budgeting program, FINPACK, developed by the University of Minnesota (Hawkins et al.), was used to analyze the different indebtedness levels.

Table 5
Financial Performance Measures for a Representative Nevada Ranch Under Different Solvency Positions

	Total Debt/Total Assets					
Revenue	0.0	0.2	0.4	0.6	0.8	1.0
Value of Farm Production	149,760	$149,760	$149,760	$149,760	$149,760	$149,760
Expenses						
Interest	0	17,877	35,753	53,631	71,506	89,383
Other Cash Costs	$111,239	111,239	111,239	111,239	111,239	111,239
Net Cash Farm						
Income	38,521	20,644	2,768	-15,110	-32,985	-50,862
Depreciation	24,352	24,352	24,352	24,352	24,352	24,352
Profit or Loss	14,169	-3,708	-21,584	-39,462	-57,337	-75,214
Farm Net Worth	861,700	689,360	517,020	344,680	172,340	0
Farm Net Worth Rate of Return	-0.4%	-3.1%	-7.6%	-16.5%	-43.4%	0
Annual Rate of Net Worth Change	-138	-16,108	-33,984	-51,862	-69,737	-87,614
Projected Liquidity						
Annual Cash Surplus or Deficit	-138	-18,813	-39,394	-59,977	-85,230	-113,068

Note: All borrowed money was charged a 10 percent annual interest rate. Intermediate liabilities were assumed to have a five-year term. Real estate debt was assumed to have a 20-year life.

References

Duncan, Marvin and Mark Drabenstott. *Farm Financial Conditions: A Difficult Transition.* Agricultural Banking Institute, Washington, D.C., 1985.

Economic Research Service. "The Current Financial Condition of Farmers and Farm Lenders." *Agricultural Information Bulletin* 490 (March 1985).

Economic Research Service. *Economic Indicators of the Farm Sector: National Financial Summary,* 1985.

Economic Research Service. *ECIFS* 5-2 (Nov. 1986).

Economic Research Service. *Economic Indicators of the Farm Sector: State Financial Summary,* 1985.

Economic Research Service, *ECIFS* 5-3 (Jan. 1987).

Hawkins, Richard O., Dale W. Nordquist, Robert H. Cravin, and Dennis A. Judd. *FINPACK: A Computerized Farm Financial Planning and Analysis Package.* Center for Farm Financial Management, Minnesota Extension Service, Univ. of Minnesota, 1986.

Johnson, Jim, R. Prescott, D. Banker, and M. Morehart. "Financial Characteristics of U.S. Farms, Jan. 1, 1986." Economic Research Service, *Agricultural Information Bulletin* 500 (Aug. 1986).

Lambert, David K. and Dave Torell. "Costs and Returns for Mojave Desert Cow-Calf Operations in Southern Nevada." Nevada Cooperative Extension, Univ. of Nevada, Reno, *NEC Fact Sheet* 86-4 (1986).

Lewis, Steve and Gordon Myer. "Alfalfa Production Costs for the Diamond Valley Area." Nevada Cooperative Extension, Univ. of Nevada, Reno, *NEC Fact Sheet* 86-33 (1986).

Meyer, Neil L. and Richard L. Gardner. "The Financial Condition of Idaho Farmers: Signs of Stress in 1985." Cooperative Extension Service, Univ. of Idaho, Moscow, Id., *CES Bulletin* 646 (May 1985).

Nevada Agricultural Statistical Service. *1985-86 Nevada Agricultural Statistics.* NASS, 1986.

New Mexico Department of Agriculture. *New Mexico Agriculture Credit Survey,* 1984. Office of the Director, Las Cruces, N.M., Sept. 1984.

Pederson, Glenn, David Watt, and Harvey Vreughenhil. "Farm Financial Stress in North Dakota." *North Dakota Farm Research* 43 (Jan.-Feb. 1985): 3-6.

Pindyck, Robert S. and D.L. Rubinfeld. *Economic Models and Economic Forecasts.* McGraw Hill: New York, 1981.

Smith, E., J. Richardson, and R.D. Knutson. "Cost Pecuniary Economics in Cotton Production and Marketing: A Study of Texas Southern High Plains Cotton Producers." Texas A & M Univ., *Texas Agricultural Experimental Station Bulletin* B-1475 (Aug. 1984).

Timmermeier, Ronald L. and Frank Garland. *Financial Conditions of Colorado Agricultural Operators,* Spring 1986. Dept. of Agricultural and Natural Resource Economics, Colorado State Univ., July 1986.

Vanvig, Andrew and Samuel J. Hundley. *Wyoming Farm/Ranch Finance Survey - Preliminary Report.* Division of Agricultural Economics, Univ. of Wyoming, Laramie, Feb. 1986.

Pregnancy Leave Controversy: Business and Labor Policy Implications

*by William A. Nowlin and George M. Sullivan**

On Jan. 13, 1987, in the matter of California Federal Savings and Loan Association v. Guerra,[1] the U. S. Supreme Court, in a 6-3 decision, upheld a California State Law that required employers to allow women disability leave for pregnancy and childbirth, and to guarantee them reinstatement to the same or similar job. The decision was hailed as a victory by women's groups and a cause for concern for thousands of employers, especially small businesses in the State of California, as well as small businesses around the country.

Why small businesses across the country? For the past two years, effective trade association and U.S. Chamber of Commerce lobbying prevented a major bill, the Family and Medical Leave Act (HR 4300),[2] also known as the Parental Leave Act, from being debated on the floor of the U.S. Congress. Its critics argue that the bill would increase business costs. Those who support the bill argue that a parental leave benefit should be extended to all workers, not just to women in California and six other states with a California-like law. Hearings began in the Congress in mid-1987 to develop support for the bill.

This article explores and assesses the parental leave controversy from several perspectives: (1) the Supreme Court decision; (2) the reaction of the business community and supporters; (3) the Parental Leave Act; (4) parental leave policies abroad; (5) paternity leave; and (6) other unanswered questions.

The Pregnancy Discrimination Act

Title VII of the Civil Rights Act of 1964[3] prohibits various forms of employment discrimination, including discrimination based on sex. In interpreting Title VII's application to pregnancy the Supreme Court, prior to 1987, had not found discrimination because of pregnancy violative of Title VII. In General Electric Co. v. Gilbert,[4] the U.S. Supreme Court in 1976 ruled that discriminating against a woman because of pregnancy was not sex discrimination under Title VII. The court said that an otherwise comprehensive disability insurance plan which failed to cover pregnancy-related disabilities was acceptable and did not violate Title VII.

Relying on a previous decision in Geduldig v. Aiello,[5] which had upheld a similar disability plan against a Fourteenth Amendment equal protection challenge, the Court found it permissible to exclude pregnancy from the list of compensable disabilities.[6] In Nashville v. Satty,[7] the Court upheld an employer's sick-leave policy that excluded pregnancy. Disagreeing with the Gilbert decision, Congress amended Title VII by passing the Pregnancy Discrimination Act (PDA) in 1978.[8] It specified that sex discrimination included discrimination on the basis of pregnancy. The PDA stated that "the terms 'because of sex' or 'on the basis of sex' in section 703(a) of Title VII included, but are not limited to, because of or on the basis of pregnancy, childbirth or related medical conditions shall be treated the same for all employment-related purposes...."

California Federal v. Guerra

California had established a state statute[9] that required employers to grant female employees up to four months leave and a guarantee of job security to employees disabled by pregnancy. The Supreme Court was asked to decide, in California Federal (Cal Fed) Savings and Loan v. Guerra, whether the state statute conflicted with the PDA.

Cal Fed had a leave policy that permitted employees who had completed three months of service to take unpaid leaves of absence for a variety of reasons including disability and pregnancy. It was Cal Fed's policy to try to provide an employee taking unpaid leave with a similar position upon returning to work. However, it reserved the right to terminate the employee if a similar position was not available. The case involved Lillian Garland who was a receptionist at Cal Fed. From January to April 1982 she took a pregnancy disability leave. In April, Cal Fed denied her request for reinstatement to the same or similar job because no such position was available. As a result she did not return to work until November 1982.

Ms. Garland filed suit with the California Department of Fair Employment and Housing. The Department determined that Cal Fed had violated California law. Cal Fed filed for declaratory and injunctive relief against the invoking of the California law. Cal Fed had also initiated a separate federal action seeking judicial support for its position that the statute was not consistent with the PDA.

The U.S. District Court, relying on Newport News Shipbuilding v. EEOC,[10] opined that the California law made employers vulnerable to reverse discrimination suits brought by males who did not receive the same treatment as female employees disabled by pregnancy, and the court held the Statute was pre-empted by Title VII.[11] On this same basis, however, the Ninth Circuit Court of Appeals concluded that the lower court defied common sense, misinterpreted case law, and flaunted Title VII and the PDA.[12] To support its assertion, the court opined that the PDA established a floor beneath which pregnancy disability benefits may not drop - not a ceiling above which they may not rise.[13]

---

*William A. Nowlin is an assistant professor at the Business College, Rochester, N.Y. George M. Sullivan is a labor attorney in Rochester.

In analyzing the efficacy of Title VII pre-emption holding of the Circuit Court, the Supreme Court established guidelines to determine whether a state statute is pre-empted by federal law and therefore invalid under the Supremacy Clause of the Constitution. It theorized that a conflict may occur either because compliance with both federal and state regulations is a physical impossibility or because the state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.[14] The Court held that pre-emption is not likely to be presumed and Sections 708 and 1104 of the Civil Rights Act of 1964 indicated that state laws would be pre-empted only if they conflicted with federal law. Therefore, the Court chose as its mandate to decide whether the California law was consistent with the PDA and whether the PDA allows states to require reinstatement of pregnant workers, regardless of their policy for disabled workers generally.

Cal Fed contended that the PDA clearly rejected California's special treatment approach to pregnancy discrimination, thus rendering unnecessary any analysis of legislative history. The language of the PDA states in part that, "The terms 'because of sex' or 'on the basis of sex' in Section 703(a) of this title include, but are not limited to, because of or on the basis of pregnancy, childbirth or related medical conditions shall be treated the same for all employment related purposes...."[15]

Disavowing the apparent conclusiveness of the statutory language, Justice Marshall, writing for the plurality, noted that: "It is a familiar rule, that a thing may be within the letter of the statute and yet not within the statute, because not within its spirit nor within the intention of its makers."[16] On the contrary, Justice White countered that the language could not be clearer: "It mandates that pregnant employees shall be treated the same for all employment related purposes as nonpregnant employees similarly situated with respect to their ability or inability to work" and that the "language leaves no room for preferential treatment of pregnant workers."[17]

Preferential Treatment Approved

In assessing what the Congress intended when it passed the PDA, the plurality noted that although the reports, debates and hearings made it abundantly clear that Congress intended the PDA to provide relief for working women and to end discrimination against pregnant workers, the legislative history was "devoid of any discussion of preferential treatment of pregnancy."

The plurality noted that Cal Fed found support in the legislative history to the effect that the PDA did not require employers to extend any benefits to pregnant women that they did not already provide to other disabled employees. The Court, acknowledging that the House Report explained that the proposed legislation did "not require employers to treat pregnant employees in any particular manner," nevertheless held that the references did not support the argument of Cal Fed.

The crux of the Court's reasoning was that: "If Congress had intended to prohibit preferential treatment, it would have been the height of understatement to say only that the legislation would not require such conduct. It is hardly conceivable that Congress would have extensively discussed only its intent to not require preferential treatment if in fact it had intended to prohibit such treatment."[18]

Justice White, taking issue with this method of reasoning in establishing a major social policy with broad economic consequences, stressed that the House Report and the Senate Report on the Pregnancy Discrimination Bill "in no way requires the institution of any new programs where none currently exist."[19] In addition, comments made by prominent legislators, such as Senator Brook, Senator Kennedy and Senator Bayh, illustrate that Congress had no intention of creating a protected class entitled pregnancy disability. They made it clear that only companies with existing disability coverage would be affected, and that it required employers with such coverage to treat pregnancy-related disabilities similar to other temporary disabilities.[20]

As if to emphasize its commitment to the proposition that pregnancy disability was a new protected class, the Court said: "Moreover, even if we agreed with petitioner's construction of the PDA, we would nonetheless reject their argument that the California statute requires employers to violate Title VII." The California statute does not compel California employers to treat pregnant workers better than other disabled employees, the Court said; it merely establishes benefits that employers must, at a minimum, provide to pregnant workers. "Employers are free to give comparable benefits to other disabled employees, thereby treating 'women affected by pregnancy' no better than other persons not so affected but similar in their ability or inability to work."[21]

The high court believed that by taking pregnancy into account, the California law allowed women, as well as men, to have families without losing their jobs.[22]

Decision Impact on Business

Robin Conrad of the United States Chamber of Commerce questions: "What will a small business do when it needs to fill a position when a woman leaves to give birth?"[23] Without question this decision negatively impacts small businesses in the states where there exists a law similar to California's. Concern over this question lead seven thousand employers to support Cal Fed in this case.

Most large companies have parental leave policies that permit women to leave the work force to have a child with a guarantee of a job upon return. Eighty-one percent of the Fortune 500 companies have such policies.[24] Many small business, however, do not provide a guarantee of reinstatement to the extent that larger companies do, and they argue that it is for good reason. Small businesses have a more difficult time holding a position open while employees recover from disabilities. This policy position is not taken to discriminate against women. The policy holds for males and females alike who are unable to perform their job because of any nonjob- related injury or disability.

Paula Connelly, an attorney for the United States Chamber of Commerce, states that the Chamber is gravely disappointed with the Court's decision. She reasons that now there is no limit to what states can mandate employers to do and she wonders how small businesses will manage.[25]

Impact on Women

Women, groups that support and lobby for women, and society in general believe this decision by the Court acknowledges the difficulty women have experienced in raising children and maintaining a career. The National Organization for Women and other feminist groups, although they support the Court's decision, would have preferred the decision was broader to cover other disabilities suffered by men and women.[26]

There are a number of reasons for women's support of the decision and for their desire for broader coverage. There has been an increase of women in the work force - 43 percent in 1970 to 53 percent in 1982, more than six million families are supported by working female heads of households,[27] and 41 percent of all mothers in 1982 were back to work before their children were a year old.[28] In addition, in 1985, 48 percent of women with children less than a year old were in the work force,[29] 65 percent of women of child bearing age are presently in the work force, and 90 percent of women have had or will have children during their careers.[30] Also, half of all mothers with children under three are in the labor force.[31]

These data indicate clearly that more mothers are in the labor force, they have borne or will bear children, more women are single heads of households, and women return to work after having children. Supporters of the Court's decision argue that women are an important part of the labor force, and their dual contributions to society ought to be recognized.

Should policies on pregnancy discrimination be established with dramatic differing results on a state-by-state basis or should the Congress enact legislation? Only six states (Connecticut, Hawaii, Kansas, Massachusetts, New Hampshire and Washington) have a law similar to California's. However, similar legislation has been proposed in 26 states.[32] Women's groups are happy that the Court protected California women with the law, but disappointed that the Court did not give similar protection to all workers without regard to sex. Because of this, and to avoid a state-by-state push to establish parental leave laws on an inconsistent basis, congressional action is expected.[33]

Congressional Action Anticipated

Beginning in March, 1987 in the Congress, the Labor Management Subcommittee, chaired by Representative William Clay, and the Civil Service Subcommittee, chaired by Representative Patricia Shroeder, have held congressional hearings to garner support for the Family and Medical Leave Act, H.R. 925[34] (last year - H.R. 4300), also known as the Parental Leave Bill. A similar bill was introduced in 1987 in the Senate by Senator Christopher Dodd.[35]

Successful lobbying in 1986-87 by a coalition of trade associations, to include the National Association of Manufacturers and the National Chamber of Commerce, kept the bill off the House floor.[36] Modified in October, 1987,[37] the bill provides for:

- up to 10 weeks, over 24 months, of unpaid leave upon the birth, adoption, or serious health condition of a dependant child or parent;
- up to 15 weeks of unpaid leave for a serious health condition or pregnancy related disability;
- continuation of health coverage;
- restoration to original or equivalent position;
- leave taken on a reduced hour basis if both parties agree;
- voluntary substitution of paid leave for any part of unpaid leave;
- medical certification and recertification at employer's request, and a provision for a second opinion;
- eligibility - one year of service (20 hours per week minimum);
- the establishment of a commission to study the feasibility of leave on a paid basis and to study the effects on small business; and
- exemption of employers of less than 50 workers.[38]

Supporters and Critics

Supporters of the Act, such as NOW, the Women's Legal Defense Fund, the Congressional Caucus for Women's Issues and numerous labor organizations, contend there is a growing consensus that working mothers and fathers should be able to spend time with a new child, a seriously ill child, or elderly parent, without risking their jobs. Also, family care experts have found that during the first months of a child's life important bonding of a family takes place and parents should have an opportunity to be with their child during this time. Supporters also contend that employers should accommodate an employee who is willing and able to return to the workforce after childbirth or a serious illness, and that it makes sense from a humanitarian, as well as an economic perspective.

Critics of the Act, such as the U.S. Chamber of Commerce, the National Manufacturers Association, and the 2,700 members of the National Organization of Women Business Owners argue that Congress ought not to intrude in an area best left to employers, or employers and employees through the collective bargaining process. They are in the best position to design employment benefit and compensation packages especially tailored to a specific workforce or the need to be competitive. Critics abhor the push toward government-mandated benefits and are concerned that this initiative lacks consideration of an employer's ability to pay or the desirability of this benefit by employees as compared to some other benefit.[39] They also assert that the Act benefits a select group, specifically, married couples, not single parents.

Concern has been expressed about the difficulty that small business employers would face in complying with this legislation. They would experience hardships in holding a job open, retraining a replacement, and/or continuing health benefit premiums. This is one reason the Act was amended to exclude employers with fewer than 50 workers. However, critics maintain the Act is still anti-small business.

Although large companies have demonstrated an ability to absorb parental leave costs, small businesses are less able to afford it, even though they are responsible for the greatest job growth. Between 1980 and 1983, small business enterprises added 1 million new jobs, while Fortune 500 companies lost 3 million domestic jobs.[40]

Parental Leave Public Policy Abroad

There are countries that require employers to grant parental leave, and some that require the continuation of wages for both the father and the mother. The United States and South Africa are the only countries in the West without national parental leave policies.[41] This information is simply offered for comparative purposes, not to argue that the United States should duplicate policy from abroad.

Canada grants 24 weeks for mothers at 60 percent of pay. France grants 16 weeks for mothers at full pay up to a maximum covered by social security. The law also permits up to 6 months of paid leave for the third or subsequent child. Either parent can also take up to two years off without pay for parenting purposes.[42]

West Germany grants 40 weeks for mothers at full pay. Mothers can take a subsequent 10 weeks leave with social security insurance, and an additional 10 months at a reduced rate.[43] Sweden has a very liberal parental leave law. Mothers or fathers are eligible for 40 weeks at full pay. Additional leave can be obtained until the child reaches 18 months of age.[44] Italy requires that employers grant mothers 44 weeks, 22 at 80 percent of pay, while Chile requires that mothers be paid 100 percent of their pay for 18 weeks.[45]

Of course, it may not be reasonable to argue that these countries are more advanced than America in recognizing the dual contributions made by women. It is clear, at least in the countries cited, that women are not disadvantaged in compensation or position because of a decision to bear a child, while maintaining an interest in a career.

On the other hand, it is foolhardy to make such comparisons isolated from other societal, employment and compensation factors. For example, wage levels are higher in America than in the countries cited. Therefore, any evaluation and comparison to argue for duplication must consider carefully all of the relevant factors.

Paternity Leave

Whatever public policy is decided, equal protection of the law is a key issue, and a primary reason for the push to federal legislation. Even though the California law requires that leave be granted only to women, the Parental Leave Act would not discriminate. A study of 1,500 of the country's largest employers by Catalyst, a Manhattan-based organization for the development of women's careers, found that while 52 percent offered parental leave to women, only 37 percent offered such leave to men.[46] There have been a few cases recorded where men were denied parental leave that otherwise would have been granted to women. They challenged the right of the employer to deny them.

In June 1985, a settlement between EEOC v. Commonwealth Edison Company resulted in a male employee being granted paternity leave. He had requested up to a six-month leave to take care of his infant child. Although the company routinely granted such leave to its female employees, the company refused his request. The matter was settled when the company promised to ensure employees equal access to leave and other benefits, and granted the male parental leave.[47]

Also in 1985, a similar issue was addressed in City of Hartford v. International Brotherhood of Police Officers, Local 308. The Department of Labor's State Board of Mediation and Arbitration decided that a male police officer was discriminated against because of his sex when he was denied a request for "post partum leave." A clause in the collective bargaining agreement assured leave to police officers for pregnancy and childbirth related reasons. Another clause assured that the agreement would be administered nondiscriminatorily. The Board agreed with the union's contention that the employer violated the "no discrimination" clause and ordered that leave be granted to the male officer.[48]

In 1986, a male employee of the Social Security Administrations' Long Island New York branch initiated a Title VII action because of the employer's refusal to grant him leave to care for his infant son. The agency reversed its decision just before the case went to court and granted the leave.[49]

Although few in number, these cases do reflect that some males will avail themselves of policies or laws granting leave for parenting-related reasons. For society this may mean that males will assume more responsibility for child rearing, an endeavor that if successful should be applauded. For the business sector it could mean more costs to recruit, select, train and compensate replacements for temporary help until the parent returns to work.

Conclusion

In California, remedial social legislation had been enacted granting preferential treatment to employees based on pregnancy. This statute was challenged because of a perceived conflict between the state statute and the federal PDA.

Even though Congress had never expressed an intent in current legislation to single out pregnancy disability for special treatment, the Supreme Court, in approving in the Cal

Fed case the preferential classification of pregnancy, opined that if Congress had intended to exclude pregnancy it would have explicitly said so. It is hardly conceivable that Congress would have extensively discussed only its intent not to require preferential treatment if in fact it had intended to prohibit such treatment.

Critics of the Parental Leave Act indicate that some opportunities for abuse exist if the Act is passed. There may be increased discrimination against women of child bearing age, reduction or elimination of other more preferred benefits, and reluctance to hire older workers (those more apt to become disabled). They wonder if males will abuse the Act by claiming "paternity," but actually use the leave from work for some other purpose.

Supporters respond that the Civil Rights Act of 1964 prohibits discrimination in employment. Those who opt to discriminate illegally risk litigation.

Some question just how much "inspired absenteeism" the economy can take without it adversely affecting productivity, entrepreneurial spirit and job creation. The money to underwrite the leave policy will be allocated at the expense of productivity at a time when high productivity is the best defense against imports.

Critics also suggest that insufficient studies have been conducted to determine the real costs of parental leave legislation. What are the real costs (1) in productivity decline, (2) in training and retraining, and (3) in paying benefits for two individuals who are slotted in the same job, while one is actually working and the other on leave?

Critics question the productivity impact. Since the cost of productivity is high in the U.S., relative to other industrial nations, but productivity is low, relative to those same nations, how will parental leave legislation affect cost of production?

Is the Congress concerned with the long-term implications of this legislation, or is it interested only in the short-term popularity such legislation will enjoy? Will this legislation encourage businesses to relocate in foreign countries, subcontract portions of their work to foreign countries or seek other means to reduce the threat of the parental leave burden?

These questions do not appear to have been answered. They do not have easy answers. Therefore, it becomes the responsibility of employers and employee groups and organizations to ensure that their positions on these matters are adequately represented and heard in the legislative halls of the Congress of the United States.

There are currently 70 representatives cosponsoring the House bill. According to *Resource* (March 1987), the monthly magazine of the American Society for Personnel Administration, many undecided members of the Congress are waiting for comments from their districts before making up their minds. Specifically, they want information from constituent businesses on how the bill would impact different sized businesses.[50]

The Congress will decide this year and attempt to properly balance the interests of business and the supporters of parental leave.

Notes

1. California Federal Savings and Loan Association v. Guerra,__U.S.__(1987) 47 *CCH S. Ct. Bulletin*, p. B605.
2. H.R. 4300, Family and Medical Leave Act (1986).
3. Civil Rights Act, Title VII, 92 Stat. 2076, 42 U.S.C. 2000e (1964).
4. General Electric v. Gilbert, 429 U.S. 125 (1976).
5. Geduldig v. Aiello, 417 U.S. 487 (1974).
6. General Electric v. Gilbert, supra, p. 133-136.
7. Nashville v. Satty, 434 U.S. 136, 143-146 (1977).
8. Civil Rights Act, supra 2000e (k).
9. California Labor Code Ann., 1420.35 1978 *Cal Stats*, ch. 1321, 1, p. 4320-4322; *California Government Code Ann.*, 12945 (b) (2) (West 1980).
10. Newport News Shipbuilding v. EEOC, 462 U.S. 669 (1983).
11. California Federal, supra, p. B613.
12. California Federal Savings and Loan Association v. Guerra, 758 F.2d 390, 395 (CA-9 1985).
13. Ibid., p.396.
14. Ibid., pp. B614 and B615.
15. Civil Rights Act, supra 2000e (k).
16. California Federal, supra, pp. B617 and B618 citing Steelworkers v. Weber, 443 U.S. 193, 201 (1979), Church of the Holy Trinity v. United States, 143 U.S. 457 (1982).
17. Ibid., pp. B632-B633.
18. Ibid., p. B620.
19. Ibid., p. B638, citing *H.R. Rep*. No. 95-948, p. 4 (1978), *Leg.Hist.* 150; S. Rep. No. 95-331, p. 4 (1977), Leg. Hist. 41.
20. Ibid., p. B639, citing 123 *Cong. Rec*. 7541, 8145, 29,388 (1977).
21. Ibid. pp. B624-B625.
22. Ibid. p. B623.
23. "Law granting pregnancy leave upheld." *Democrat and Chronicle*, 14 Jan. 1987,1,5.
24. Amy Wilentz, "Garland's Bouquet." *Time*, 26 Jan. 1987,15.
25. "Law Granting Pregnancy Leave Upheld." *Democrat and Chronicle*, 14 Jan. 1987,3.
26. Stuart Taylor, Jr., "Job Rights Backed in Pregnancy Case." *Wall Street Journal*, 14 Jan. 1987, B10.
27. "The Parental and Family Leave Act." *The Woman Engineer*, Winter 1986/87,16.
28. "HRM Update." *Personnel Administrator*, April 1985,23.
29. Aric Press, Ann McDaniel, and Lynda Wright, "A New Family Issue." *Newsweek*, 26 Jan. 1987,23.
30. Wilentz, p. 15.
31. "HRM Update." *Personnel Administrator*, Dec. 1985,16.
32. Martha Brannigan, "Laws on Parental Leave Benefits Draw Opposition from Employers." *Wall Street Journal*, 12 Oct. 1987,20.
33. Stephen Wermeil, "Justices Uphold Law on Leave for Pregnancy." *Wall Street Journal*, 14 Jan. 1987,1.
34. "Debate Rages Over Mandatory Leave." *Employee Benefit News*, Jan./Feb. 1987,24.
35. Ibid.
36. Ibid.
37. "Compromise Reached on Parental Leave Bill." *Resource*, Nov. 1987,13.
38. H.R. 925, Family and Medical Leave Act (1987).
39. William A. Nowlin, "Parental Leave: Creative Social Policy or Government Intrusion." *Rochester Business Magazine*, Feb. 1987:43.
40. Ibid.
41. Press, McDaniel, and Wright, p. 23.
42. "Business Starts Tailoring Itself to Suit Women." *Business Week*, 6 Oct. 1986,53.
43. Ibid.
44. Ibid.
45. Press, McDaniel and Wright, p. 23.
46. *The Woman Engineer*, p. 16.

47. EEOC v. Commonwealth Edison Co., U.S.D.C., NI11, case no. 85-C5637, June 28, 1985.

48. City of Hartford v. International Brotherhood of Police Officers, Local 308, Conn. Dept. of Labor, State Board of Mediation and Arbitration, case no. 8384-526, July 25, 1985.

49. *The Woman Engineer*, p. 16.

50. "Backers Seeking Quick Vote on Leave Bill." *Resource*, March 1987,9.

References

"Backers seeking quick vote on leave bill." *Resource* March 1987,9.

"Business starts tailoring itself to suit women." *Business Week*, 6 Oct. 1986,53.

Brannigan, Martha, "Laws on Parental Leave Benefits Draw Opposition from Employers." *Wall Street Journal*, 12 Oct. 1987,2.

California Federal Savings and Loan Association v. Guerra,__U.S.__(1987) 47 *CCH S. Ct. Bulletin*, p. B605.

California Federal Savings and Loan Association v. Guerra, 758 F.2d 390, 395 (CA-9 1985).

California Labor Code Ann., 1420.35 1978 *Cal Stats*, ch. 1321, 1, p. 4320-4322; *California Government Code Ann.*, 12945 (b) (2) (West 1980).

City of Hartford v. International Brotherhood of Police Officers, Local 308, Conn. Dept. of Labor, State Board of Mediation and Arbitration, case no. 8384-526, July 25, 1985.

Civil Rights Act, Title VII, 92 Stat. 2076, 42 *U.S.C.* 2000e (1964).

"Compromise Reached on Parental Leave Bill." *Resource*, Nov. 1987,13.

"Debate rages over mandatory leave." *Employee Benefit News*, Jan./Feb. 1987,24.

EEOC v. Commonwealth Edison Co., *U.S.D.C.*, NI11, case no. 85-C5637, June 28, 1985.

Geduldig v. Aiello, 417 U.S. 487 (1974).

General Electric v. Gilbert, 429 U.S. 125 (1976).

H.R. 925, Family and Medical Leave Act,(1987).

H.R. 4300, Family and Medical Leave Act (1986).

"HRM Update." *Personnel Administrator*, April 1985,23.

"HRM Update." *Personnel Administrator*, Dec. 1985,16.

"Law granting pregnancy leave upheld." *Democrat and Chronicle*, 14 Jan. 1987,1,3,5.

Nashville v. Satty, 434 U.S. 136, 143-146 (1977).

Newport News Shipbuilding v. EEOC, 462 U.S. 669 (1983).

Nowlin, William A. "Parental leave: Creative social policy or government intrusion." *Rochester Business Magazine*, Feb. 1987,43.

Press, Aric, Ann McDaniel, and Lynda Wright. "A New Family issue." *Newsweek*, 26 Jan. 1987,23.

Taylor, Jr., Stuart. "Job rights backed in pregnancy case." *Wall Street Journal*, 14 Jan. 1987,B10.

"The Parental and Family Leave Act." *The Woman Engineer*, Winter 1986/87,16.

Wermeil, Stephen. "Justices Uphold Law on Leave for Pregnancy." *Wall Street Journal*, 14 Jan. 1987, 1.

Wilentz, Amy. "Garland's Bouquet." *Time*, 26 Jan. 1987,15.

Nevada Economic Indicators

Statewide Statistical Data

	October 1987	November 1987	December 1987	4th Quarter 1987	PERCENTAGE CHANGE	
					3th Quarter-1987 4th Quarter-1987	4th Quarter-1987 4th Quarter-1987
Total Labor Force (000's)	566.1	569.2	574.2	569.8	+ 0.4	+ 3.4
Total Employment (000's)	530.3	531.5	535.8	539.2	+ 0.6	+ 3.6
Unemployment (000's)	32.6	34.5	38.4	35.2	+ 10.7	+ 15.0
Unemployment Rate	5.8	6.1	6.7	6.2	+ 11.4	+ 11.4
Seasonally Adjusted Rate	6.2	6.3	6.3	6.3	+ 5.0	+ 11.9
Agricultural Employment (000's)	6.2	4.9	4.5	5.2	- 33.9	+ 0.0
Establishment-Based Industrial Employment						
Total All Industries (000's)	508.9	511.6	512.6	511.0	+ 0.6	+ 6.3
Mining	7.5	7.5	7.6	7.5	+ 4.1	+ 15.3
Contract Construction	33.1	32.3	31.8	32.4	- 0.7	+ 14.2
Manufacturing	23.8	24.1	24.0	24.0	+ 1.3	+ 6.0
Transportation & Utilities						
Transportation	16.4	16.7	16.6	16.6	+ 1.0	+ 4.6
Railroads	1.3	1.3	1.3	1.3	+ 0.0	+ 0.0
Air	4.0	4.2	4.1	4.1	+ 0.8	+ 1.7
Public Utilities	11.5	11.5	11.4	11.5	+ 0.3	+ 0.9
Total Trade	102.3	103.9	105.6	103.9	+ 1.3	+ 5.7
Wholesale Trade	17.8	18.0	18.1	18.0	+ 0.0	+ 5.1
Retail Trade	84.5	85.9	87.5	86.0	+ 1.6	+ 5.8
Finance, Ins., & Real Estate	24.5	24.5	24.6	24.5	+ 0.3	+ 5.7
Service Industries	223.7	224.3	224.2	224.1	- 1.7	+ 6.2
Hotels, Gaming & Recreation	142.9	142.5	140.0	141.8	- 1.6	+ 7.8
Medical & Health	21.2	21.4	21.4	21.3	+ 2.2	+ 4.2
Total Government	66.1	66.8	66.1	66.3	+ 7.2	+ 4.0
Federal	11.6	11.4	11.3	11.4	- 2.3	+ 5.5
State & Local	54.5	55.4	55.5	55.1	+ 9.9	+ 4.0
Education	25.2	26.0	26.2	25.8	+ 25.9	+ 3.6
Average Weekly Earnings in Selected Industries						
Mining	627.7	642.7	637.1	635.8	+ 2.1	+ 3.9
Construction	592.9	566.7	592.6	584.0	- 0.0	- 4.1
Manufacturing	398.8	398.7	391.8	396.4	+ 1.5	+ 0.6
Public Utilities	572.3	600.2	553.4	575.3	+ 1.3	- 2.4
Trade	303.9	297.4	296.3	299.2	- 2.6	+ 2.9
Average Weekly Hours in Selected Industries						
Mining	42.5	43.9	42.9	43.1	- 0.2	- 0.2
Construction	36.8	35.0	36.6	36.1	+ 0.9	- 3.1
Manufacturing	40.2	40.6	40.6	40.5	+ 2.3	- 1.3
Public Utilities	39.8	40.8	39.5	40.0	+ 0.8	- 3.7
Trade	34.3	33.6	33.9	33.9	- 3.0	+ 0.8
Average Hourly Earnings in Selected Industries						
Mining	14.8	14.6	14.9	14.8	+ 2.4	+ 4.1
Construction	16.1	16.2	16.2	16.2	- 0.9	- 1.2
Manufacturing	9.9	9.8	9.7	9.8	- 0.7	+ 1.9
Public Utilities	14.4	14.7	14.0	14.4	+ 0.4	+ 1.2
Trade	8.9	8.9	8.7	8.8	+ 0.5	+ 2.0
Construction Activity						
Residential ($000's)	116,300	83,600	79,800	279,700	- 2.0	+ 41.7
Nonresidential ($000's)	66,200	81,300	41,600	189,100	+ 24.2	- 0.3
Nonbuilding ($000's)	23,800	2,000	25,800	51,600	- 26.5	- 8.2
Total ($000's)	206,300	166,900	147,200	520,400	+ 2.6	+ 17.4
# of New Dwelling Units	1,084	1,164	1,198	3,446	- 40.3	+ 35.6
Tax Collections						
Liquor	1,414,619	1,235,359	1,106,240	3,756,218	+ 18.5	+ 7.8
Cigarette	2,335,031	2,398,686	2,320,124	7,053,841	+ 13.4	+ 42.4
Fuel	4,691,633	6,467,482	521,347	16,372,593	- 0.6	+ 33.3
Quarterly Taxable Sales ($000's)	858,751	841,134	1,063,650	2,763,535	+ 4.3	+ 10.4
Quarterly Gaming Revenues ($000's)				949,665	- 8.5	+ 10.8
Highway Traffic Flow						
17 Selected Stations (Avg. Daily)	150,998	135,113	128,421	138,177	- 12.2	+ 16.4

Las Vegas Standard Metropolitan Statistical Area

	October 1987	November 1987	December 1987	4th Quarter 1987	PERCENTAGE CHANGE	
					3th Quarter-1987 4th Quarter-1987	4th Quarter-1987 4th Quarter-1987
Total Labor Force (000's)	329.7	333.8	335.8	333.1	+ 1.7	+ 4.7
Total Employment (000's)	309.2	312.8	313.1	311.7	+ 1.4	+ 4.0
Unemployment (000's)	20.4	20.9	22.7	21.3	+ 6.0	+ 16.2
Unemployment Rate	6.2	6.3	6.8	6.4	+ 4.9	+ 12.2
Seasonally Adjusted Rate	6.3	6.4	6.4	6.4	+ 2.7	+ 11.7
Agricultural Employment (000's)	1.5	1.2	1.1	1.3	- 33.3	+ 0.0
Establishment-Based						
Industrial Employment						
Total All Industries (000's)	291.7	294.4	293.8	293.3	+ 2.3	+ 8.5
Mining	0.3	0.3	0.3	0.3	+ 12.5	+ 0.0
Contract Construction	19.9	19.0	19.2	19.4	+ 0.0	+ 15.3
Manufacturing	8.8	8.8	8.9	8.8	+ 1.5	+ 7.3
Transportation & Utilities						
Transportation	9.7	10.0	9.9	9.9	+ 1.0	+ 4.2
Railroads	0.4	0.4	0.4	0.4	+ 0.0	+ 0.0
Air	3.0	3.1	3.0	3.0	+ 1.1	+ 0.0
Public Utilities	6.2	6.2	6.1	6.2	+ 1.1	+ 3.4
Total Trade	59.4	60.4	61.4	60.4	+ 2.3	+ 6.4
Wholesale Trade	9.9	9.9	9.9	9.9	+ 0.0	+ 6.5
Retail Trade	49.5	50.5	51.5	50.5	+ 2.7	+ 6.4
Finance, Ins. & Real Estate	14.7	14.8	14.9	14.8	+ 0.5	+ 7.0
Service Industries	139.6	140.8	139.0	139.8	+ 1.3	+ 10.4
Hotels, Gaming & Recreation	92.7	93.1	91.8	92.5	+ 1.0	+ 11.2
Total Government	33.1	34.1	34.1	33.8	+ 10.1	+ 4.4
Federal	6.5	6.4	6.5	6.5	+ 0.5	+ 7.8
State & Local	26.6	27.7	27.6	27.3	+ 12.7	+ 3.7
Education	12.9	13.5	13.6	13.3	+ 29.0	+ 4.4
Construction Activity						
Las Vegas						
Residential ($000's)	11,752	10,997	11,128	33,877	- 23.1	+ 10.2
Nonresidential ($000's)	12,307	7,006	17,369	36,682	+ 14.8	- 38.1
Total Value ($000's)	24,059	18,003	28,497	70,559	- 10.7	- 21.5
# of New Family Units	178	187	216	581	+ 67.0	+ 29.1
North Las Vegas						
Residential ($000's)			875	875	- 32.4	+ 5.3
Nonresidential ($000's)	326	213	791	1,330	- 74.0	+ 9.2
Total Value ($000's)	326	213	1,666	2,205	- 70.5	- 16.7
# of Permits	43	47	46	136	+ 871.4	+ 5.4
Quarterly Taxable Sales ($000's)				1,547,237	+ 9.9	+ 8.9
Quarterly Gaming Revenues ($000's)				675,036	- 2.0	+ 12.1
Air Transportation-McCarran						
Passengers (Arrivals & Departures)	1,357,763	1,251,977	989,895	3,599,635	- 2.2	+ 11.9
Cargo Enplaned (lbs.)	2,065,799	2,179,813	3,992,189	8,237,801	+ 36.1	+ 25.7
Cargo Deplaned (lbs.)	3,309,261	2,982,846	4,383,168	10,675,275	+ 26.7	+ 10.8
Highway Traffic Flow						
4 Selected Stations (Avg. Daily)	37,842	34,951	36,031	36,274	- 16.4	+ 3.6
Room Tax ($)						
Clark County	2,283,454	2,010,932	2,523,763	6,818,149	+ 6.4	- 5.7
Las Vegas City	378,496	381,227	427,029	1,186,752	+ 4.0	+ 23.1
MSA Total	2,687,608	2,419,447	2,975,454	8,082,509	+ 5.9	- 1.9

Reno Standard Metropolitan Statistical Area

	October 1987	November 1987	December 1987	4th Quarter 1987	PERCENTAGE CHANGE 3th Quarter-1987 4th Quarter-1987	PERCENTAGE CHANGE 4th Quarter-1987 4th Quarter-1987
Total Labor Force (000's)	138.7	139.6	140.6	139.6	- 0.5	+ 0.4
Total Employment (000's)	131.9	131.9	131.6	131.8	- 1.5	- 0.3
Unemployment (000's)	6.8	7.7	9.0	7.8	+ 18.7	+ 15.2
Unemployment Rate	4.9	5.5	6.4	5.6	+ 19.1	+ 15.1
Seasonally Adjusted Rate	5.5	5.6	5.9	5.7	+ 5.6	+ 13.3
Agricultural Employment (000's)	0.8	0.6	0.6	0.7	- 33.3	+ 0.0
Establishment-Based Industrial Employment						
Total All Industries (000's)	134.5	134.6	134.2	134.4	- 0.2	+ 3.8
Mining	0.8	0.8	0.8	0.8	+ 0.0	+ 9.1
Contract Construction	8.1	8.1	7.8	8.0	- 4.4	+ 9.6
Manufacturing	8.3	8.4	8.4	8.4	- 2.0	- 0.4
Transportation & Utilities						
Transportation	4.9	4.9	5.0	4.9	+ 1.4	+ 4.2
Railroads	0.4	0.4	0.4	0.4	+ 0.0	+ 0.0
Public Utilities	4.0	4.1	4.1	4.1	+ 0.8	- 0.8
Total Trade	30.3	30.9	31.5	30.9	+ 1.3	+ 3.9
Wholesale Trade	6.5	6.6	6.7	6.6	- 1.0	+ 1.5
Retail Trade	23.8	24.3	24.8	24.3	+ 2.0	+ 4.6
Finance, Ins. & Real Estate	7.2	7.2	7.2	7.2	+ 0.5	+ 4.3
Service Industries	54.1	53.4	52.5	53.3	- 2.9	+ 2.2
Hotels, Gaming & Recreation	31.4	30.7	29.9	30.7	- 4.7	+ 4.3
Total Government	16.8	16.8	16.9	16.8	+ 8.4	+ 4.1
Federal	3.1	3.0	3.0	3.0	+ 1.1	+ 8.3
State & Local	13.7	13.8	13.9	13.8	- 13.0	+ 3.2
Education	7.8	7.9	7.9	7.9	+ 23.6	+ 1.3
Construction Activity						
Reno						
Residential ($000's)	3,863	10,770	[illegible],189	17,822	9.9	+ 9.0
Nonresidential ($000's)	2,576	2,607	5,075	21,028	+ 77.7	+ 13.2
Total Value ($000's)	6,439	13,377	8,264	28,080	- 11.2	- 19.6
# of New Family Units	76	211	35	322	- 6.7	+ 20.6
Sparks						
Residential ($000's)	2,695	65	813	3,573	+ 2.7	- 41.3
Nonresidential ($000's)	2,121	2,689	3,741	8,551	+ 2.3	+ 230.4
Total ($000's)	4,816	2,754	4,554	12,124	+ 2.5	+ 39.9
# of New Family Units	63	0	19	82	+ 46.4	- 45.7
Washoe Co. (Unincorporated)						
Residential ($000's)	5,537	2,752	2,600	10,889	- 11.8	- 7.1
Nonresidential ($000's)	2,800	2,343	256	5,399	- 37.7	+ 29.2
Total Value ($000's)	8,337	5,095	2,856	16,288	- 22.5	+ 2.5
# of New family Units	61	25	24	110	- 36.8	- 12.0
Quarterly Taxable Sales ($000's)				606,618	+ 0.6	+ 1.4
Quarterly Gaming Revenues ($000's)				168,874	- 14.4	+ 7.2
Air Transportation-Reno						
Passengers (Arrivals & Departures)	294,886	256,811	235,037	786,734	- 11.1	+ 1.9
Cargo Enplaned (lbs.)	462,257	687,426	992,589	2,142,272	+ 33.1	+ 6.6
Cargo Deplaned (lbs.)	890,696	929,559	1,172,414	2,992,669	+ 20.0	+ 13.8
Highway Traffic Flow						
7 Selected Stations (Avg. Daily)	93,849	84,017	78,185	85,350	- 7.4	+ 22.9
Room Tax ($)						
MSA Total	1,196,415	824,262	688,509	2,709,186	- 29.0	- 9.7

Nevada Statistical Data by County

	October 1987	November 1987	December 1987	4th Quarter 1987	PERCENTAGE CHANGE 3th Quarter-1987 4th Quarter-1987	PERCENTAGE CHANGE 4th Quarter-1987 4th Quarter-1987
CARSON CITY						
Total Labor Force	21,050	21,180	21,310	21,180	- 0.7	+ 0.3
Total Employment	19,830	19,840	19,780	19,816	- 1.8	- 0.9
Unemployment	1,220	1,340	1,530	1,363	+ 19.6	+ 22.1
Unemployment Rate	5.8	6.3	7.2	6.4	+ 19.9	+ 21.4
Construction Activity						
Residential Value ($000's)	1,884	2,563	1,693	6,140	- 34.8	- 54.8
Nonresidential Value ($000's)	1,713	484	4,856	7,053	+ 113.8	+ 172.5
Total Value ($000's)	3,597	3,047	6,549	13,193	- 4.1	- 24.6
# Of New Family Units	22	33	21	76	- 35.6	- 56.8
Quarterly Taxable Sales ($000's)				85,234	- 5.2	+ 2.9
Quarterly Gaming Revenues ($000's)				8,429	- 20.4	- 6.6
CHURCHILL						
Total Labor Force	7,040	6,930	7,020	6,996	- 4.8	- 1.3
Total Employment	6,550	6,420	6,370	6,446	- 6.2	- 1.5
Unemployment	490	510	650	550	+ 16.2	+ 13.0
Unemployment Rate	6.9	7.5	9.3	7.9	+ 23.4	+ 13.4
Construction Activity						
Residential Value ($000's)	127	313	559	999	- 4.6	- 27.4
Nonresidential Value ($000's)	180	89	0	269	- 73.7	- 20.4
Total Value ($000's)	307	402	559	1,268	- 38.7	- 26.0
# Of New Family Units	1	4	6	11	- 31.3	- 35.3
Quarterly Taxable Sales ($000's)				31,408	- 9.9	+ 44.8
DOUGLAS						
Total Labor Force	13,440	13,480	13,100	13,340	- 6.1	- 0.6
Total Employment	12,770	12,710	12,200	12,560	- 7.5	- 0.3
Unemployment	670	770	900	780	+ 23.2	- 5.6
Unemployment Rate	5.0	5.7	6.9	5.9	+ 32.3	- 4.3
Quarterly Taxable Sales ($000's)				54,843	- 21.5	+ 3.8
Quarterly Gaming Revenues ($000's)				64,963	- 37.5	+ 5.3
ELKO						
Total Labor Force	13,260	13,440	13,440	13,380	- 1.7	+ 3.7
Total Employment	12,620	12,640	12,580	12,613	- 2.5	+ 3.1
Unemployment	640	800	860	767	+ 13.9	+ 13.9
Unemployment Rate	4.8	6.0	6.4	5.7	+ 16.2	+ 10.3
Construction Activity/Elko City						
Residential ($000's)	569	5,299	269	6,137	+ 320.9	+ 712.8
Nonresidential ($000's)	232	9	138	379	+ 18.1	- 56.1
Total Value ($000's)	801	5,308	407	6,516	+ 266.3	+ 302.7
# Of New Dwelling Units	8	15	0	23	+ 27.8	+ 187.5
Quarterly Taxable Sales ($000's)				78,470	+ 15.8	+ 43.5
Quarterly Gaming Revenues ($000's)				21,620	- 15.0	+ 22.0
ESMERALDA						
Total Labor Force	480	450	430	453	- 18.6	- 41.4
Total Employment	440	410	390	413	- 20.0	- 43.4
Unemployment	40	40	40	40	+ 0.0	- 7.7
Unemployment Rate	8.5	9.3	8.9	8.9	+ 23.6	+ 64.8
Quarterly Taxable Sales ($000's)				2,337	+ 61.2	+ 37.6
EUREKA						
Total Labor Force	1,460	1,440	1,420	1,440	- 1.4	+ 19.0
Total Employment	1,410	1,400	1,380	1,396	- 2.1	+ 20.1
Unemployment	50	40	40	43	+ 30.0	- 7.1
Unemployment Rate	3.1	2.6	3.0	2.9	+ 17.6	- 23.7
Quarterly Taxable Sales ($000's)				13,925	+ 15.6	+ 165.2

Nevada Statistical Data by County (Continued)

	October 1987	November 1987	December 1987	4th Quarter 1987	PERCENTAGE CHANGE 3th Quarter-1987 4th Quarter-1987	PERCENTAGE CHANGE 4th Quarter-1987 4th Quarter-1987
HUMBOLDT						
Total Labor Force	5,540	5,330	5,250	5,373	- 8.8	+ 2.7
Total Employment	5,210	5,040	4,940	5,063	- 9.6	+ 3.7
Unemployment	330	290	310	310	+ 8.1	- 11.4
Unemployment Rate	5.9	5.4	5.9	5.7	+ 17.8	- 14.9
Quarterly Taxable Sales ($000's)				37,403	- 4.8	+ 30.9
LANDER						
Total Labor Force	2,250	2,250	2,250	2,250	- 3.4	+ 4.7
Total Employment	2,130	2,110	2,090	2,110	- 5.0	+ 5.1
Unemployment	120	140	160	140	+ 27.3	- 2.3
Unemployment Rate	5	6	7	6	+ 31.7	- 8.0
Quarterly Taxable Sales ($000's)				17,101	+ 22.6	+ 84.2
LINCOLN						
Total Labor Force	2,210	1,380	2,230	1,940	- 13.4	- 12.2
Total Employment	2,100	1,250	2,160	1,816	- 14.4	- 12.4
Unemployment	110	130	130	123	+ 5.7	- 9.8
Unemployment Rate	5.0	9.2	6.0	6.7	+ 32.0	+ 11.6
Quarterly Taxable Sales ($000's)				2,114	- 12.9	+ 10.9
LYON						
Total Labor Force	12,530	12,840	12,990	12,786	+ 4.2	+ 25.6
Total Employment	11,820	12,080	12,080	11,993	+ 3.7	+ 25.0
Unemployment	710	760	910	793	+ 12.3	+ 36.0
Unemployment Rate	5.6	5.9	7.0	6.2	+ 7.6	+ 7.6
Quarterly Taxable Sales ($000's)				16,795	- 10.2	+ 9.3
MINERAL						
Total Labor Force	3,410	3,430	3,370	3,403	+ 0.2	+ 1.4
Total Employment	3,220	3,190	3,170	3,193	- 0.8	+ 1.5
Unemployment	190	240	200	210	+ 18.9	+ 0.0
Unemployment Rate	5.6	7.0	6.0	6.2	+ 20.8	- 0.5
Quarterly Taxable Sales ($000's)				9,686	- 8.6	+ 35.3
NYE						
Total Labor Force	7,340	6,110	7,320	6,923	- 5.6	- 2.9
Total Employment	6,930	5,660	6,900	6,496	- 6.8	- 4.1
Unemployment	410	450	420	426	+ 18.5	+ 19.6
Unemployment Rate	5.6	7.4	5.7	6.2	+ 29.0	+ 23.8
Quarterly Taxable Sales ($000's)				37,269	- 24.2	+ 87.1
PERSHING						
Total Labor Force	2,410	2,380	2,450	2,413	+ 1.0	+ 16.8
Total Employment	2,320	2,290	2,320	2,310	- 0.6	+ 16.5
Unemployment	90	90	130	103	+ 55.0	+ 24.0
Unemployment Rate	3.8	3.9	5.5	4.4	+ 53.5	+ 8.2
Quarterly Taxable Sales ($000's)				8,174	- 7.0	- 21.4
STOREY						
Total Labor Force	1,000	990	950	980	- 5.2	+ 12.6
Total Employment	950	900	890	913	- 8.1	+ 13.7
Unemployment	50	90	60	66	+ 66.7	+ 0.0
Unemployment Rate	5.0	9.3	6.7	7.0	+ 73.6	- 5.4
Quarterly Taxable Sales ($000's)				3,200	- 20.2	+ 8.1
WHITE PINE						
Total Labor Force	4,260	4,210	4,240	4,236	- 1.2	+ 1.7
Total Employment	4,000	3,980	3,930	3,970	- 1.9	+ 3.6
Unemployment	260	230	310	266	+ 9.6	- 20.0
Unemployment Rate	6.1	5.5	7.3	6.3	+ 11.8	- 20.6
Quarterly Taxable Sales ($000's)				14,178	- 2.5	+ 29.8

Selected U.S. Economic Indicators

Consumer Price Index & Indexes of Selected Categories All Urban Consumers (1967 = 100%)

	October 1987	November 1987	December 1987	4th Quarter 1987	3th Quarter-1987 4th Quarter-1987	4th Quarter-1987 4th Quarter-1987
All items	345.3	345.8	345.7	345.6	+ 0.9	+ 4.5
Food	335.3	335.1	336.7	335.7	+ 0.5	+ 3.5
Housing	375.2	374.9	375.3	375.1	+ 0.2	+ 3.6
Apparel and Upkeep	226.3	226.4	221.1	224.6	+ 4.1	+ 5.7
Transportation	321.9	321.4	323.3	322.2	+ 0.8	+ 6.0
Medical Care	469.8	471.7	472.9	471.5	+ 1.2	+ 6.1

Producer Price Indexes for Selected Commodity Groupings

(1967 = 100%)

All Commodities	311.4	311.9	311.7	311.7	+ 0.4	+ 4.5
Fuel and Power	492.9	491.4	491.8	492.0	- 2.8	+ 12.3
Machinery and Equipment	309.0	309.5	310.4	309.6	+ 0.5	+ 1.6
Metals and Metal Products	333.3	336.0	340.4	336.6	+ 3.6	+ 7.9
Nonmetallic Mineral Products	354.2	354.2	354.2	354.2	+ 0.4	+ 1.0
Textile Products & Apparel	217.8	217.8	217.8	217.8	+ 0.8	+ 3.2

U.S. Labor Force

Civilian Labor Force (000's)	120,387	120,594	120,722	120,567	- 0.5	+ 1.8
Total Employment (000's)	113,210	113,504	113,744	113,486	- 0.5	+ 2.5
Unemployment (000's)	7,177	7,090	6,978	7,081	- 0.7	- 8.3
Unemployment Rate	5.9	5.9	5.8	5.9	+ 0.0	- 9.7
Seasonally Adjusted	6.0	5.9	5.8	5.9	- 1.1	- 13.7

DATA SOURCES

Information for statistical tables was developed in cooperation with the following sources:
Airport Authority of Washoe County; Carson City Department of Public Works; Churchill County; City of Elko; City of Las Vegas, Nevada Building and Safety; City of North Las Vegas; City of Reno, Building and Safety Department; City of Sparks; Clark County Department of Aviation; Las Vegas Convention/Visitors Authority; Nevada Power Co.; Reno-Sparks Convention/Visitors Authority; State of Nevada Department of Taxation; State of Nevada Department of Transportation; State of Nevada Employment Security Department; State of Nevada Gaming Control Board; U.S. Department of Commerce, Bureau of Labor Statistics; Washoe County Building and Safety Division; White Pine County Regional Planning Commission.

The State of Nevada Commission on Economic Development is providing financial support for the publication of the *Nevada Review of Business & Economics*. Of special interest to the Commission are the Nevada Economic Indicators and articles on economic development within Nevada. The Bureau of Business & Economic Research gratefully acknowledges this support. Opinions expressed in the *Review* are those of the authors and not necessarily those of the Commission on Economic Development.

University of Nevada-Reno
Nevada Review of
BUSINESS & ECONOMICS
Bureau of Business and Economic Research
College of Business Administration
Reno, Nevada 89557-0016

Nonprofit Org.
U.S. Postage
PAID
Reno, Nevada
Permit No. 26

CONGRESS INFO SERV
SRI
4520 EAST WEST HWY
BETHESDA MD 20814

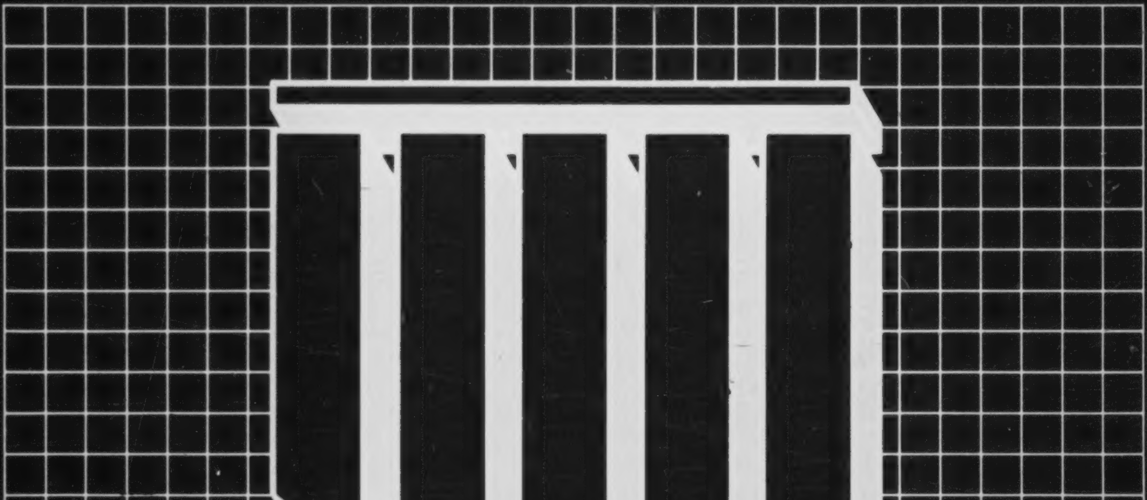
Fall 1988

1874

Volume XII, No. 4

Nevada Review of
BUSINESS & ECONOMICS

Bureau of Business & Economic Research • College of Business Administration • University of Nevada-Reno



Nevada Review of
BUSINESS & ECONOMICS

University of Nevada-Reno
Joseph N. Crowley, *President*

College of Business Administration
Don W. Winne, *Acting Dean*

Bureau of Business and Economic Research
David R. Seymour, *Director*
Thomas F. Cargill, *Editor*
Sarah Fry, *Production Editor*
Martin Kyte, *Operations Manager*
Jan Leininger, *Asst. to the Editor*

Research Staff:
Dottie Clevenger
Philip Cooney
Anne Genseal
Dan Guild

Nevada Review
Business & Economics

Copyright 1988 by
Bureau of Business and
Economic Research
University of Nevada - Reno
Reno, NV 89557-0016

Telephone: (702) 784-6877

Foreign Subscriptions:
$15.00 (U.S.)

Editorial Advisory Board

Glen Atkinson, Professor of Economics, University of Nevada-Reno, Reno, NV.
William Bible, Chairman, Gaming Control Board, Carson City, NV.
William T. Cummings, Assistant Dean, College of Business and Economics, University of Nevada-Las Vegas, Las Vegas, NV.
William R. Eadington, Professor of Economics, University of Nevada-Reno, Reno, NV.
Kyung-Il (Ed) Ghymn, Professor of Managerial Sciences, University of Nevada-Reno, Reno, NV.
Andrew Grose, Executive Director, State of Nevada, Commission on Economic Development, Carson City, NV.
William S. Hallagan, Associate Professor of Economics, Washington State University, Pullman, WA.
James Hanna, State of Nevada, Employment Security Research, Carson City, NV.
Thomas Harris, Associate Professor of Agricultural Economics, University of Nevada-Reno, Reno, NV.
Michael C. Keeley, Senior Economist, Federal Reserve Bank of San Francisco, San Francisco, CA.
Lee R. McPheters, Director, Economic Outlook Center, Arizona State University, Tempe, AZ.
Robert A. Meyer, Jr., Associate Dean, School of Business Administration, University of California-Berkeley, Berkeley, CA.
Ted Mitchell, Associate Professor of Marketing, University of Nevada-Reno, Reno, NV.
Harold C. Nathan, Senior Financial Economist, Wells Fargo Bank, N.A., San Francisco, CA.
Kambiz Raffiee, Associate Professor of Economics, University of Nevada-Reno, Reno, NV.
R. Keith Schwer, Director, Center for Business and Economic Research, University of Nevada-Las Vegas, Las Vegas, NV.
John M. Strefeler, Associate Professor of Accounting and Information Systems, University of Nevada-Reno, Reno, NV.
Gary Walton, Professor, Graduate School of Management and Department of Economics, University of California-Davis, Davis, CA.
Robert C. Weems, Dean Emeritus, College of Business Administration, University of Nevada-Reno, Reno, NV.
Samuel E. White, Professor of Business Administration, Portland State University, Portland, OR.

CONTENTS

Nevada, the International Economy and Diversification 2
Julie A. Wilcox, Andrew P. Grose and Amy E. Conran

The Nevada Woman CPA: A Profile 6
Franklin J. Plewa, Ronald D. Balsley and Ronald P. LeBlanc

A Survey of Data Processing Salaires in the Reno/Sparks and Las Vegas Area 10
William A. Newman

Nevada Economic Indicators:

Statewide Statistical Data 15
Las Vegas MSA Data 16
Reno MSA Data 17
Nevada Statistical Data by County 18

Selected U.S. Economic Indicators 20

General Editorial Policy

The *Nevada Review of Business and Economics* is a quarterly publication of the Bureau of Business and Economic Research, College of Business Administration, University of Nevada-Reno. Articles published in the *Review* are refereed and subject to United States copyright laws. The *Review* seeks to publish articles that focus on the business and economic environment of Nevada and the Western Region of the United States. Papers that focus on national or international topics will also be considered for publication if they either relate the topic to business and economic concerns of the Western Region or deal with a topic of sufficient interest to the Western Region. Papers can be nonquantitative or quantitative; however, in both cases, papers should focus on policy issues regarding the business and economic environment. In the case of quantitative papers, technical discussions should not be the focal point of the paper; and those cases where technical discussions are necessary, they may be more appropriately relegated to a technical appendix. The editorial policy of the *Review* is designed to reflect the interests of the readership which consists primarily of professionals in the business community, government officials and policymakers, and adademics in Nevada and the Western Region of the United States. All manuscripts should be addressed to the Editor, *Nevada Review of Business and Economics*, Bureau of Business and Economic Research, University of Nevada-Reno, Reno, NV 89557-0016.

Nevada, the International Economy and Diversification

*by Julie A. Wilcox, Andrew P. Grose and Amy E. Conran**

Introduction

There has been a considerable increase in the scope and importance of state governments in the past decade. While their responsibilities have expanded, the role of federal government in some areas has begun to contract. With the decrease in federal programs for trade assistance, individual state governments have had to reformulate economic policies in order to compete in the international economy. A growing number of states appear to be developing explicit trade policies either separately or as part of a larger overall state economic development strategy. The appearance of several trends in state trade development can be attributed to the dramatic changes that have taken place in international trade and commerce during the past two decades.

Companies are being bought and sold across national borders in an effort to globalize corporate activities and seek new markets beyond provincial boundaries. Given the internationalization of the world economy, no state economic development program can be complete, or even really effective, without an international element. This growth in international trade is positively affecting the American national economy, creating opportunities for states to attract job creating investment from abroad as well as promote exports to foreign markets.

In 1986 state legislative sessions around the nation, international trade development activities were numerous and varied. States refined their established trade promotion programs, and studied approaches to trade development either as a lone effort or as part of a larger economic development initiative. Development was seen in state trade and education with the establishment of higher educational programs and agency organizations, all directed at economic growth through international activities.

As part of its 1986 economic development package, the Kansas Legislature converted the State Department of Economic Development to a new State Department of Commerce. They also established a new Trade Development Division to help exporters develop expertise, seek out new markets for Kansas products, and recruit foreign investment. The Florida Legislature in 1986 created the "Florida Council on Far East Research and Development" within the State Board of Regents to coordinate foreign investment with the academic/research facilities of the State University System. The goal is to attract foreign firms and link them to the development and application of new technologies at the state universities.

A general shift in relative economic power away from the United States and Western Europe to the Asian nations of the Pacific has altered political relationships and created a new interrelationship. Historically, companies from the United Kingdom and Canada have dominated foreign investment in the United States. However, as the Pacific Rim nations, including Korea, Japan, Taiwan, Singapore and Hong Kong continue to expand proportionally, Canada and the Western European nations will play a lesser role. With political changes in the Pacific Rim, many businesses are seeking new areas in which to locate current export operations. As the foreign-based industries grow to levels of domestic maturation, they are expanding and becoming multinational in character.

The Nevada Experience

Nevada experienced an economic downturn and reduction in workforce as a result of the recession of 1980-83. The rate of unemployment climbed above the national average as the gaming, mining, manufacturing and construction industries decreased activity. State revenues, which are very dependent on the economy-sensitive sales tax, were projected by the 1981 legislature for 1982-83 at $417 million, but actual revenue was $365 million (a 12.4 percent decrease). The recession may have been intensified for Nevada by the expanding gaming operations throughout the United States. Nevada has, for more than 50 years, grown and prospered with a tourism-based economy. That growth has been so rapid and the prosperity so stable for most of that period that there had been little popular interest in diversifying Nevada's economy.

Ideally, diversification will decrease the dependence on tourism and lead to the development of industries that will respond in the opposite direction over the business cycle. This diversification is one of the mandates of the Nevada Commission on Economic Development. Nevada has a long tradition of work in the field of economic development. Beginning in 1955, the Legislature allocated funding for a Department of Economic Development in an effort to foster the state's business expansion. But, great changes have occurred in the makeup of Nevada as its population has rapidly grown.

---

*Julie A. Wilcox is Director of International Programs at the State of Nevada Commission on Economic Development. Andrew P. Grose is executive director of the Commission. Amy E. Conran is currently a senior at Vassar University; she is fluent in Japanese and was an intern with the Commission during the summer of 1988.

Its population is now more than one million people, twice that of 1970.

This larger population has meant increased demand for job opportunities, apart from those available in tourism. Nevada's leaders reevaluated the State's narrow economic base and in 1983 lawmakers threw bipartisan support behind the effort to create a new and expanded state agency that would revitalize the state's economy by drawing upon the expertise of experienced business executives. Accordingly, in order to adequately respond to and direct rapid growth, the Nevada Legislature in 1983 determined that revision and modification of the state economic development and diversification efforts were necessary. At the request of Governor Richard Bryan, the Nevada Legislature in the 1983 session passed AB 391. This bill dramatically restructured the state's economic development agency, creating the Commission on Economic Development with economic development and motion picture and television divisions.

The International Program

In December 1984, Ambassador Okawara of Japan visited Nevada. He was impressed by what he saw and told Gov. Bryan about the great potential he felt Nevada had to attract investment. In 1985, Governor Bryan became involved with the National Governors Association's international program and directed the executive director of the Commission on Economic Development to develop an international program. The program began with one half professional and approximately 10 percent of the agency advertising budget. From the beginning, the State International Program integrated the local development authorities, especially the urban development authorities, and the private sector.

The program was to emphasize the attraction of job-creating foreign investment to help develop and diversify the state's economy. The state was interested in both aspects of international economic activities -- promotion of the sales of goods, services and commodities abroad, and the attraction of job-creating investment. However, since Nevada is a small state with limited resources, it had to be selective in its international activities. Its efforts had to be concentrated where the return on effort was best.

The Commission determined that due to limited staff and budget, a modest program had to target one geographic area. Nevada is a Pacific Rim state, attached economically to California, with its economic future in the Pacific. Asia was selected as the focus for Nevada's international program. Specifically, Japan was targeted as the most likely candidate for inward job-creating investment.

The Japanese have several reasons to increase investment in the United States, including fears of protectionism, the dollar's 43 percent decline against the yen since the beginning of 1985, imbalance with the United States in the trade area, and growing political pressure to do so in Japan. Also, United States Japanese firms like Toyota and Canon are emphasizing ways to avoid import restrictions, mainly by setting up manufacturing plants in the United States. The past five years have seen a doubling of Japanese investment in the United States each year. According to a survey prepared by the U.S. Department of Commerce in 1983, Japanese companies were involved in 105 transactions, representing only 14 percent of 1983's total, compared to the United Kingdom's 159 transactions and 21.2 percent. However, in 1986, Japan accounted for more than 33 percent of total foreign direct investment with the United Kingdom, at 16.9 percent. There were 170 transactions with identified values totalling $9.3 billion, 26 percent of the total aggregated value. Japanese companies now directly employ an estimated 250,000 in the United States, and Japan's Ministry of International Trade and Industry predicts that Japanese investment will create another 840,000 United States' jobs over the next decade.

Various states, in addition to Nevada, have seen the importance of Japan and are attempting to attract Japanese capital investment and business to their areas. At least 35 states, four port authorities and two territories (Guam and Puerto Rico) have liaison offices in Japan. Approximately 3,100 Japanese plants and offices are now operating in the U.S. Some are joint-ventures with American firms (G.M. - Toyota); others are wholly Japanese firms, hiring both American and Japanese employees.

In 1986, California and New York attracted the most investment, followed by Texas, Illinois, Florida and New Jersey. California is the largest U.S. market. If it were a nation, it would have the seventh largest GNP in the world. Therefore, Nevada's location is especially important. The fact that the California market is on Nevada's doorstep works in two ways. Non-California companies which want to serve the California market can do so at far less cost from Nevada. Second, a California company that wants to escape high taxes, high wages and hassles of various kinds, but still wants to be near markets and suppliers, also looks to Nevada. The Japanese know California best and there are large Japanese communities there. Nevada can capitalize by giving Japan good proximity to California with much more attractive economics.

As a foundation for the State Plan for Economic Diversification and Development, the University of Nevada System, in cooperation with state agencies, completed a comprehensive study and prepared a data base for the Commission on Economic Development in 1984. It was concluded that the State enjoys several strengths which, with renewed emphasis and cooperation, can lead the state's citizens into the mainstream of the next decade's global economy. Nevada can promote itself and capture a substantial number of business opportunities with its transportation, tax structure, foreign trade zones, right-to-work law, quality of life and other relocation advantages. These opportunities in turn will create additional markets to be serviced by Nevada business.

Transportation linkages are an important advantage for Nevada. As a tourist state, it has excellent roads and world class airports with extremely good service. It also has good rail across the state north and south. Also, because of tourism, Nevada imports all sorts of products by truck. That creates a surplus of cheap outbound trucking in all directions. Virtually every city in the contiguous West can be served by truck from Nevada overnight. The two urban areas in Nevada are situated on two primary transportation routes used to service 40-50 percent of American markets. Additionally, each of these urban centers has a foreign trade zone, further enhancing Nevada as a viable foreign trade base.

Nevada's right to work law is an important attraction. Put another way, the absence of a right to work law is deemed a problem by many companies. The Japanese, in particular, have a great apprehension about American union labor. The right to work law relieves some of that apprehension. Most of Nevada's union members are in either the culinary or building trades. Only 6.84 percent of Nevada manufacturing jobs are unionized, compared to 20 percent nationwide. Clearly, Nevada has a very favorable tax climate for business and for individuals. A 1981 study of the total state and local tax burden on a hypothetical manufacturing firm, which included all 50 states and the District of Columbia, ranked Nevada 51st![1] A similar study in 1987 of tax burdens on individuals, which showed the per capita state and local tax burden at five income levels from $20,000 to $100,000, ranked Nevada 48th or 49th.

Quality of life is a bit imprecise but no less real as a strength. It means clean air and water. It means a diversity of recreational opportunities from rugged outdoor activities to the most exciting night life in the world. It means snow skiing and water skiing and fishing and hunting.

Quality of life also means a pace of life and a scale of things that preserves the personal touch and makes the newcomer seem welcome. Since only Alaska has more citizens born outside the state, Nevada is very accepting of newcomers.

Quality of life is also climate. Nevada's dry climate and moderate temperatures are conducive to outdoor activities and to many types of industrial activities. GTE Sylvania put its lithium battery plant in Henderson because it had to have very low humidity.

In 1986, about 20 Nevada leaders visited Japan, Korea and Hong Kong to tell businessmen in those countries about opportunities available in the Silver State. This was the first Nevada Trade Mission to Asia and was led by Governor Bryan and Lieutenant Governor Robert A. Cashell. An agreement was signed with a Tokyo firm to represent Nevada on an interim basis and to maintain business contacts established during the trade mission. A smaller trade mission of economic development professionals returned to Japan and Korea in October 1986 and to those countries plus Taiwan in June 1987 to present in-depth seminars and to build on the accomplishments of the initial visit. The Commission decided to ask the 1987 Nevada Legislature to formally open a permanent Tokyo office for Nevada, with its emphasis to be on recruiting firms for business in Nevada. The Commission entered a contract in August 1987 with EPISTAT, a United State's-based company with a Tokyo office and staff.

The Commission on Economic Development has in the past two years also participated in or hosted two Japanese press missions, a statewide Japanese industrial mission, several investment missions to Las Vegas, a Korean ambassador in Reno, two Japanese banking investment missions, a Chinese legislative mission, a Chinese television and broadcasting mission, import buyers, several groups or exchange students and more than a dozen on-site Japanese client visits. The Commission also arranged for agreements between the Mitsui Bank of Japan and Nevada and between the Korea-U.S. Economic Council and Nevada.

Since the international program began, the Commission on Economic Development has organized and executed two governors' missions and four seminar missions. The program will continue to include one governor's mission every 18-24 months and two seminar and client visit missions each year. Each trip has confirmed the great potential of attracting new job-creating foreign investment to Nevada and the potential of insuring the growth of the export base in Nevada. Just one year after the initial mission to Asia, Nevada welcomed three Japanese companies to Reno. Two are manufacturers and employ Nevada workers at above average manufacturing wages. The third is a small Japanese trading company. In addition, a Japanese manufacturing firm has now located in Las Vegas.

The total number of Japanese companies in Nevada comes to 18, all having been established within the past five years. However, the economic development community continues to work with companies from all parts of the world. Porsche Cars North America, Inc. established their North American headquarters in Reno in 1984 and opened a $3.9 million parts and distribution center at the Aircenter Business Park. The North American headquarters for Salomon North America, Inc. opened in Sparks, bringing 100 jobs to the area. Companies such as Salomon, Porsche, Boeringer-Ingleheim and Ormat represent France, Germany and Israel.

The Commission on Economic Development gets foreign company leads from a variety of sources. Some companies contact the state by phone or mail. Others contact the state through business contacts already developed in Nevada. Most active Japanese clients come through the Japan Representative Office. The Tokyo office staff solicits companies known to have potential for overseas expansion. These companies are contacted on a regular basis by the Japan Representative Office staff. They are also invited to seminars, receptions and meetings held during missions to Asia. Many are visited for one-on-one meetings.

Once a client adds Nevada to its prospective sites list, a tour of the state is arranged. The Commission's Carson City office and the Japan Representative Office work to arrange an itinerary. Ideally, a company will visit both metropolitan areas of the state unless a geographic preference has already been indicated.

When clients arrive in Nevada, they first meet with members of the Commission on Economic Development staff. Then they are introduced to the appropriate Development Authority, whose staff conducts the local tour. Further discussions are held with appropriate industry, state and university representatives, and with the governor and members of the Commission. Asian company representatives are often comforted to feel that the state government is interested and responsive and would welcome their business.

Follow-up is conducted by the Commission on Economic Development, the Japan Representative Office and the Development Authority. Once a company has decided on a location, the state staff turns the client completely over to the local Development Authority. Generally, this does not mean that communication with that company stops. The company's representatives usually continue to discuss progress with the state office. The Commission staff assists as requested, especially on state issues, such as tax deferral or job training, or national issues, such as visas. The Japan Representative Office also remains involved, working with the company's Japanese staff.

All relocation discussions take time. Asians, and particularly the Japanese, tend to ponder decisions about locations. Businesses in these cultures want to know the individuals and feel that they can trust them before rushing into any business venture. Much cultivation is necessary.

The commission on Economic Development also has continued its assistance to promote Nevada exports. However, due to the small export base and limited Commission on Economic Development staff, only about 10 percent of the international program resources have been devoted to this initiative. In this area, the Commission has cooperated with local district export councils and with the Nevada World Trade Council (NEWTRAC), established in January 1988. In 1987, the Commission on Economic Development participated in two trade shows in Asia, including the U.S. product show in Korea where the attendance was more than 8,000. Fourteen Nevada companies participated in the first trade show and 32 participated in the second show. In both cases district export council members took their own time to travel to these shows and represent the Nevada companies.

The greatest success of the export promotion initiative resulted from a 1-1/2 day Japanese beef purchasing mission in February 1988. Just one month after the tour and seminar was arranged by the Commission on Economic Development staff, working cooperatively with the State Department of Agriculture representatives, 250 Nevada cattle were sold to one of Japan's largest agricultural cooperatives. This sale opened the door to a new area of the Commission on Economic Development's international program.

Nevada's image continues to be the biggest weakness in attracting new businesses. While this has improved tremendously in the past decade or so, others still look at Nevada's 24-hour gaming, legal prostitution, quickie divorce, high crime rates and the like, and assume Nevada is not a state interested in business. Even for those who attach no negative connotation to Nevada, its image as a tourism-dominated state leads some to the conclusion that it is not interested in anything else. The biggest image problems for Asians are: 1) Nevada is all desert; 2) Nevada has no industry except gaming; 3) Nevada has a lot of crime; and 4) Nevada is a nuclear test and nuclear waste area.

The first image is important to dispel because quality of life for workers is very important to Asian companies. These companies want to feel welcome and want their transferees to be content. They also want to be assured that American workers will be happy working in an area. Japanese are very sensitive about crime since they come from a nation with a very low crime rate. Once they understand that the main gaming areas are separate from the general business and living areas, companies seem more relaxed. The Japanese are particularly sensitive about the nuclear test site and apprehensive about the possible high level nuclear waste dump.

Nevada is a resource-poor state in some respects, especially for water. In fact, this contributes to the image problem, with many thinking that Nevada is a barren wasteland. Japanese, for instance, have an image of Nevada like the Sahara Desert. It is simply a dry state and must be very careful with water. That is the message conveyed to Japanese prospects.

Nevada's commitment to education, K-12 and higher education, while improving, is still comparatively poor. The state spends less, based on its per capita income, on education than any western state. This perhaps reflects the history of dominance by an industry that has had limited need for college graduates. As Nevada attempts to attract quality businesses, the financial commitment to education will have to continue to grow. Because Nevada is a small state whose small labor force does not have a broad range of skills, labor availability is a problem, both in numbers and in skills. Although Nevada has repeatedly demonstrated that its labor market includes California, clients must be convinced of this.

It may take longer to attract foreign companies because of language barriers and cultural differences. However, the international program, like any economic development program, is judged by the jobs created versus the dollars spent. Thus far, based on these criteria, success in the international area seems likely to be even greater than in the domestic area.

Nevada's program will continually be reevaluated to determine if it serves the overall economic development goals and objectives. The International Program Advisory Committee, appointed by the Commission, also closely reviews international program objectives and any new proposals. Serving on that committee are eight Nevadans with a broad range of foreign experience, especially in doing business in Asia.

In conclusion, the creation and development of Nevada's international program represents a conservative, incremental process. The opportunities were carefully studied, resources analyzed and a program designed. Success of the program has required the careful nurturing of consensus. That consensus has grown even stronger with the tangible successes the program has enjoyed. To progress, the program must grow. It must have more staff resources, and it must have an increased budget for Tokyo representation because of currency changes and demands on that office. The success in job-creation to expenditure ratio, even with an increased budget, should still compare very favorably with the domestic success ratio. Most important, however, is the recognition that has emerged in Nevada that an economic development program is incomplete and will never enjoy full success without a strong international dimension.

Note

[1] Kieschmick, Michael. *Wyoming Progress Report,* 1981. Wyoming Department of Economic Planning and Development, in *Taxes and Growth: Business Incentives and Economic Development.* Council of State Planning Agencies, Washington, D.C.

The Nevada Woman CPA: A Profile

*by Franklin J. Plewa, Ronald D. Balsley and Ronald P. LeBlanc**

Introduction

Women are a continually increasing segment of the U.S. workforce, with more than 60 percent of single women and approximately 50 percent of married women employed (Rix, 1987). Women also comprise an increasing percentage of college students, currently more than 50 percent of incoming freshmen (Rix, 1987, p. 120). This phenomenon is reflected in the field of accounting. The ranks of recently certified public accountants contain increasing numbers of women, and the nation's accounting programs are rapidly becoming predominantly female.

The accounting profession is an interesting case from the woman's perspective. The profession has been traditionally dominated by men, but the number of women entering the profession has significantly increased their percentage of the accounting workforce. For example, in 1984, 46 percent of those earning accounting degrees and 40 percent of those entering public accounting were women. This represents a quadrupling of the rate of entry over the past decade and makes accounting among the fastest changing of the professions in this respect (Finan, 1985, p. 36). The profession changed from 34 percent to 45 percent women between 1979 and 1986 (*Idaho State Journal*, 1987). While women approach majority status in the accounting workplace, in 1986 only 2 percent of all partners in accounting firms were women, and only 1 percent in Big 8 firms (Finan, 1985, p. 36).

Compensation levels are different for men than for women in almost all employment areas. The Census Bureau reports that in 1984 women earned 70 percent of men's wages on average, up from 62 percent in 1979. Age was a factor, with women in the 21-29 age group averaging 83 percent of men's pay, while those in the 30-44 group earned 72 percent of men's wages, and the 45-64 group earned only 60 percent (Idaho State Journal, 1987). In the accounting profession, a Canadian study surveyed Canadian general accountants and found that women were paid less than their male counterparts even when years of experience, job position, and type of organization were considered (Nelson, Andiappan and Schwartz, 1985, p. 30).

Wage differences are, of course, attributed to a number of causes, including whether or not a person has been out of work for appreciable lengths of time, lack of job experience, and the propensity of women to cluster in certain occupations. The employee turnover rate in CPA firms is greater for women than for men (American Institute of Certified Public Accountants, 1984, p. 17). Both men and women expect women to have significant problems with working overtime and overnight travel (Nelson, Andiappan and Schwartz, 1985, p. 33), which would be expected to affect promotion and earnings in a profession addicted to both.

In a study by the Mission and Future Issues Task Force of the Ohio Society of Certified Public Accountants, men and women disagreed on the causes for women's apparent lack of progress (Ohio Society of CPAs, 1984). In answer to the question, "To what extent do you agree with the statement: 'Women are not making sufficient progress within the CPA profession'?" only 13.5 percent of male respondents agreed while 52.1 percent of women respondents agreed. Most men perceive that since the turnover rate for women is higher, women are not staying in jobs long enough to be promoted. They also perceive that women lack "career" as opposed to "job" motivation. Men tend to see the issue as a function of the individual woman involved rather than a problem of the profession (Stillabower, 1985, p. 22). The study of Ohio CPAs also indicated that 75.6 percent of the men and 54.7 percent of the women agreed that there were ample opportunities for women in the accounting profession. While this indicates that both feel that entry opportunities are available, women are less convinced than men (Ohio Society of CPAs, 1984, p. 23). Many people feel there is "no problem," and that women are being promoted in percentages reflecting their entry numbers. Others believe this "no problem" attitude is the central problem in women's advancement (Finan, 1985, p. 37).

In any case, the issue is clearly of importance to the accounting profession. In 1984, the American Institute of Certified Public Accountants (AICPA) identified the upward mobility of women and entry opportunities for women as parts of the fourteen major issues of concern for the next five to twenty years (AICPA, 1984, p. 1). Recent national surveys have indicated a trend towards more self-employment, more jobs for women CPAs outside public accounting, and higher levels of compensation (American Woman's Society of Certified Public Accountants, 1985).

The American Woman's Society of Certified Public Accountants (AWSCPA) last surveyed their membership in 1985 as to their educational levels, management responsibilities, compensation, job mobility, etc. Limited salary data on men and women accountants is available yearly from Robert Half International, Inc. and Source Finance Personal Services. Some of this salary information was reprinted in the March 1987 issue of the *New Accountant* for accountants with 0 to 3 years experience. However, very little data is available specifically concerning the status of women CPAs in Nevada and the Intermountain West. Female students in accounting, recent entrants into the profession, and established women professionals all need an accurate representation of their ranks to evaluate their alternatives and opportunities and to assist in their pursuit of rewarding careers. The purpose of this study is to provide a profile of the Nevada woman CPA. This information is valuable for career planning purposes and for Nevadans in general in understanding the status of women in the workplace.

---

*Franklin J. Plewa is an assistant professor of accounting, Ronald D. Balsley is a professor of marketing and Ronald P. LeBlanc is an associate professor of marketing, all at Idaho State University, Pocatello, ID.

Methodology

This study was conducted by mail questionnaire to the 185 women CPAs who resided in Nevada and were listed in the *Nevada Annual Register of Certified Public Accountants and Public Accountants of 1987.* A pre-questionnaire announcement was sent by first class mail, followed two weeks later by questionnaires and pre-paid response envelopes. Within three weeks of the mailing, 132, or 71 percent, of those queried responded. This extremely high response rate can only be explained by women's interest in the topic. While the interest level in controversial topics has been shown to bias results, the questions in this survey were generally either demographic in nature or asked about educational issues. Attitudes about women's issues were not surveyed as the researchers felt that base data was needed before any further information could be sought.

Results of the Study

Employment Status

Nevada women CPAs work in a variety of situations and at many levels. Currently, 42.4 percent are not employed in public accounting. A little over half of these women are employed by private businesses while the remainder hold positions in the nonprofit, educational, and governmental areas. Of those employed in public accounting, 25.0 percent work for international or national firms, 7.9 percent for regional and 65.8 percent for local firms.

Slightly more than 90 percent of women in public accounting are in supervisory positions versus 84 percent in non-public accounting. Twenty-six, or 34 percent, of those practicing public accounting are owners, including 14 who are sole proprietors. Additionally, six are shareholders in professional corporations.

The mean number of years of Nevada women CPAs' total experience is 9.6, the median is 9.0 years. For public accounting experience, the mean is 7.1 years and the median is 6.0 years. In their present job, the mean is 3.8 years and the median 3.0 years. Following the national trend of rapid expansion of women in the accounting profession, 75.8 percent of Nevada women CPAs have fewer than 10 years of public accounting experience, and only 21 women have more than 14 years of total accounting experience.

Age and Compensation

The average age of women CPAs in Nevada is 36, with half between 25 and 35. Only four are over 55. Table 1 displays compensation levels, with almost three-fourths of the respondents earning more than $30,000, and almost 37 percent earning more than $40,000. The most recent national study compared compensation levels for 1983 and 1985 (AWSCPA, 1985). This is reproduced as Table 2 with the 1987 Nevada data appended. Interestingly, in 1983, 54.6 percent of the national sample earned less than $30,000 and, in 1985, the percentage had dropped to 42.1 percent (AWSCPA, 1985). Only 27.3 percent of Nevada women CPAs fall into this category.

Table 1
Compensation Levels

Compensation	# of respondents	% of respondents
Under $15,000	5	3.8
$15,000 to $24,999	10	7.6
$25,000 to $29,999	21	15.9
$30,000 to $39,999	47	35.6
$40,000 to $49,999	29	22.0
$50,000 and up	19	14.4
Unreported	1	0.7
Total	132	100.0

Table 2
Comparison of Nevada and National Compensation Levels

	National Percentages 1983	National Percentages 1985	Nevada Percentages 1987
Under $15,000	6.7	6.0	3.8
$15,000 to $24,999	28.6	18.5	7.6
$25,000 to $29,999	19.3	17.6	15.9
$30,000 to $39,999	25.2	28.5	35.6
$40,000 to $49,999	10.5	13.5	22.0
$50,000 and up	8.6	14.2	14.4
Unreported	1.1	1.7	0.7
Total	100.0	100.0	100.0

Changing Jobs

More than 60 percent of the respondents have changed jobs in the last five years. The 77 who had changed jobs were asked to rate the importance of their reasons by assigning values totaling 100 percent to the reasons listed. Table 3 shows the reasons listed and the number of times, expressed as a percentage, that they were enumerated. The items are presented in ranked order of importance. In the "other" category, respondents included as reasons: layoffs, lack of work, marriage, job diversification, sale of practice, differing business philosophies, and better benefits.

Table 3
Reasons for Changing Positions

	% Indicating Item Was A Reason Factor
Better professional opportunity	64.9
Better salary offer	50.6
Promotion	39.0
Limited chance for promotion	48.1
Long hours/poor working conditions	37.7
Change to a different type of work	44.2
To become self-employed	13.0
Other	10.4
Family responsibilities	28.6
Sexual discrimination	11.7
Spouse's transfer	2.6
Excessive travel	2.6

Education and Preparation

Almost all respondents hold baccalaureate degrees and thirteen women CPAs hold two degrees. Fifteen hold master's degrees, while two hold less than the bachelor's degree and were licensed prior to the state requirement that all CPAs hold at least the bachelor's degree. Of those reporting, 78.8 percent majored in accounting, 9.1 percent in other business areas, and 10.6 percent in non-business areas.

Forty-seven percent of the women reporting passed the CPA exam either on their first or second sitting, while an additional 24 percent passed on third sitting. The eighteen percent that passed on their first sitting compares favorably with the national rate. The median age when the certificate was received was 29.

Nevada women CPAs used multiple methods in preparing for the examination. Eighty percent indicated they used self study while 22 percent took commercial review courses. An additional 22 percent participated in college-sponsored reviews. Most respondents indicated more than one method of preparation.

More than 80 of Nevada's women CPAs received their certificates since 1979. Combined with the age data from the previous section, this indicates that a number of women changed professions to become CPAs. In response to the question "When did you decide you wanted to become a CPA?", 26.5 percent said it represented a career change. The percentage is even higher when considering the number who reported making the decision after earning their baccalaureate degrees.

Professional development is a necessary activity for any profession. Continuing education is an important issue for CPAs, especially in light of the debate concerning mandatory national standards. Assuming that professional seminars/AICPA or state society courses, correspondence courses, in-house training programs, and college coursework qualify for continuing education credit, the median number of hours reported for Nevada women CPAs is 54.3. The state requirement is 80 hours for a two-year period, with a minimum of 24 hours in any one year.

Issues and Perceptions

One open-ended question was asked of the respondents: "Do you have any comments or suggestions which may help develop a more accurate and complete profile of the Nevada woman CPA?" While some of the respondents indicated that they felt their potential was unlimited, most who responded expressed concern about the issues of sexual discrimination in terms of promotion and salary, long hours, and the impact on marriage and family.

Because of the many social structures that clearly define the traditional roles of men and women, sexual discrimination still exists. The predominant male role has been that of breadwinner while the female role was defined in terms of such functions as child care and household management. Even though female involvement in the business world has significantly increased, old habits are hard to break. For example, women say they leave the public accounting profession because of long hours, lack of professional development, and better opportunities elsewhere. Men claim, however, that women leave public accounting for marriage, children, or their husbands' transfers. So it appears that men tend to ignore the reasons given by women for changing positions (Ried, Acken, and Jancura, 1987, p. 353).

Typically, women start with equal salaries but do not receive increases comparable to men. Ried et al. (1987) state that perhaps women are conditioned to sacrifice themselves for their husbands and children. In many cases, a working woman may have to deal with more stress than a man in that after her professional day has ended, she goes home to cope with children, home management, etc. (Ried, Acken, and Jancura, 1987, p. 353).

There are no easy or simple solutions to these problems. Steps in the right direction include scheduling flexibility, parental leaves, and day care. Additionally, because women lack successful female role models, an awareness of management skills in women accountants must be developed. Formal training programs can contribute to this development process but the major factor is the ability of women to function comfortably with men in a business environment. Policies which create greater flexibility in accounting career paths without limiting advancement opportunities ensure that this will happen.

Comparison with the 1985 AWSCPA Profile

The Nevada woman CPA profile is similar to the 1985 AWSCPA profile data in most areas. The profile is nearly identical in the percentages of women employed in public versus non-public accounting, in years of experience, management responsibilities, age, marital status, and education. The reasons given for changing jobs are also similar. Nevada women change positions for better professional opportunities, salary, and promotion, contrary to the popularly held view that family responsibilities and excessive travel account for large numbers of job changes.

Differences exist in that more Nevada women are employed by small local firms and government than their national counterparts. Nevada women CPAs also have a significantly smaller percentage earning less than $25,000 and a higher percentage at the $40,000 level and above.

The level of participation in continuing education activities by Nevada women CPAs reflects the fact that they are career-conscious professionals. They exceed the state's requirements for continuing education by almost 25 hours a year.

Conclusion

This profile of Nevada women CPA's reveals that they are experiencing the same dynamics in their profession as have been reported at the national level. Most are relatively new to the profession in that almost sixty percent have fewer than ten years of accounting experience and are in their mid-thirties. Like their national counterparts, they are highly mobile, highly compensated, and are making career changes for positive rather than negative reasons. Regarding upward mobility, McCrum and Rubin (1987) analyzed Bureau of Labor Statistics compensation data and reported that management, professional and sales job salaries outdistanced the cost of living of 8 percent between 1983 and 1985. Accountants and auditors received an average raise of 11 percent. Those earning in excess of the average accountant/auditor salary of about $23,900 increased 13-18 percent (industrial and chemical engineers, lawyers, financial managers, and computer systems analysts).

The resultant overall profile is one of a successful, mobile, well-educated and career-conscious professional. The Nevada woman CPA appears willing and able to meet the challenges of a developing and changing professional business environment.

References

American Institute of Certified Public Accountants, Future Issues Committee. Major Issues for the CPA Profession and the AICPA, Oct. 1984.

American Woman's Society of Certified Public Accountants. "A Profile of the Woman CPA - 1985 Statistical Survey," 1985.

Ellis, Loudell O. "More College Women Majoring in Accounting: The Numbers and Some Reasons." *The Woman CPA* 38 (Jan. 1976): 14-5, 22.

Finan, Mary A. "The Woman CPA - 1980 and Beyond." *The Woman CPA* 47 (April 1985): 36-7.

Jancura, Elise G. "An Educated Woman." *New Accountant* 1 (March 1986): 37-9.

Jancura, Elise G. "Women in Accounting - A 1977 Profile." *The Woman CPA* 39 (April 1977): 8-12.

Jancura, Elise G. "The Woman CPA: A Professional Profile." *The Woman CPA* 36 (July 1974): 2-5.

McCrum, Hanna, and Hanna Rubin. "The Eighth Annual Working Woman Salary Survey." *Working Woman* 132 (Jan. 1987): 53-59, 62, 64.

Nelson, Morton, Palaniappan Andiappan and Robert H. Schwartz. "Salaries and Attitudes of CGAs," *CGA Magazine* 59 (Nov. 1985): 29-31, 33.

The Ohio Society of Certified Public Accountants. Mission and Future Issues Task Force. *Report and Recommendations,* Jan. 1984.

Ried, Glenda E., Brenda T. Acken and Elise G. Jancura. "An Historical Perspective on Women in Accounting." *Journal of Accountancy* 163 (May 1987): 338-55.

Rix, Sara E. *The American Woman 1987-88 A Report in Depth.* New York: W. W. Norton & Company, 1987.

"Salary Survey." *New Accountant* 2 (March 1987): 14-16.

Stillabower, Linda. "An Evaluation of Career Issues for Women CPAs." *The Ohio CPA Journal* 44 (Winter 1985): 21-4.

"Women Earn 70 Cents to Men's Pay Dollars." *Idaho State Journal.* Sept. 10, 1987.

A Survey of Data Processing Salaries in the Reno/Sparks and Las Vegas Area

*by William A. Newman**

In the fall of 1988, the author performed a survey of data processing salaries in the Reno/Sparks and Las Vegas areas. The survey was sent to 120 small installations and 30 large installations. Responses were received from 27 small installations and nine large installations. The survey also includes salary information for one large installation through work performed by the author for the Attorney General's Office of the Consumer Advocate. The next survey will take place in the fall of 1989.

A Profile of Nevada's Data Processing Installations

Nevada has a large number of small data processing departments and relatively few large installations (those whose expenditures exceed one million dollars annually). The small installations are usually staffed by two to five individuals who share many of the duties required for information generation. Many hotel and casino operations fall into this size category. These small shops are also oriented towards one manufacturer, with the IBM System 34/36/38 and AS/400 being heavily favored. (There are more than 150 of these machines installed in Northern Nevada.)

The larger installations are primarily utilities, governmental institutions and large businesses that have made Nevada their corporate headquarters. These installations have from five to more than fifty individuals in various job functions.

Table 1 provides the survey responses for midpoint salaries in the Reno/Sparks/Las Vegas areas, categorized by large and small installations and by job category (see Exhibits 1 and 2 for job levels and descriptions). Additionally, Table 1 provides 1988 salary information for San Francisco, Los Angeles and Denver, along with the national average of all salaries by category. This information is taken from the October 1988 *Datamation* National Salary Survey.[1] Respondents to this survey indicated they expected 1989 salaries to rise by 6.6 percent; 1987 salaries rose by 6.2 percent.

Survey categories generally relate to functions found in larger data processing installations. Many small installations have no equivalent position. Their personnel either function without such expertise or the function is one of many performed by the same individual. In the latter case, the salary listed reflects the individual's primary job title/classification.

Exhibit 1
Job Levels

Manager - Advanced degree and minimum five years' experience or equivalent combinations; strong management skills, performs personnel evaluations, budgeting, progress reporting, and project management.

Lead - Bachelor's degree or equivalent and minimum four years' experience with two years in supervisory capacity; performs supervision as a project manager.

Senior - Bachelor's degree or equivalent and minimum three years' experience, including some supervisory functions.

Intermediate - Bachelor's degree or equivalent and minimum two years' experience; requires direction on some activities.

Junior - two to four years of college and six months' experience; directly supervised.

Exhibit 2
Detailed Job Descriptions*

Corporate Staff - Reports to senior management within the firm.
Applications Staff - Develops, designs and prepares computer programs.

Systems Analysis/Programming - Systems analysis and programming.

Operations Systems Programming - Programs and maintains system software.

Database Administration - Plans, organizes and schedules the activities of the database section, establishes standards, maintains dictionary.

Datacom/Telecom - Develops and designs data communications networks and the installation and operation of data lines.

Computer Operations - In charge of equipment, data entry, production control and post processing, but not systems analysis, or other development functions.

Production and I/O Control - Sets up and schedules jobs for processing so as to maximize utilization and meet turnaround requirements.

Data Entry - Performs data entry and verification functions.
Office Automation - Operation of word processing equipment, intelligent typewriters and terminals for text editing/word processing.

* Descriptions from *Datamation* salary survey, Oct. 1, 1988[2]

---

*William A. Newman is an associate professor of management information systems at the University of Nevada-Las Vegas, Las Vegas, NV.

Table 1
Midpoint Salaries for Selected Information Systems Professionals

Title	Reno/Sparks/Las Vegas Area Installations		National Average	San Francisco	Los Angeles	Denver
	Large	Small				
Corporate Staff						
Vice President	$73,376	$32,000	$67,643	$85,000	$72,200	$57,500
Director of DP/MIS	59,922	52,634	54,189	60,000	64,696	46,080
Technical Services Manager	59,776	N/A	56,859	N/A	50,859	55,000
Info Ctr/Data Ctr Manager	47,845	N/A	42,203	57,667	43,125	48,000
Director of Security	43,670	N/A	40,876	N/A	80,000	30,200
Systems Analysis						
Manager	50,248	43,761	45,561	N/A	46,520	62,400
Senior Systems Analyst	45,480	42,000	41,518	N/A	45,883	42,000
Lead Systems Analyst	41,340	N/A	37,067	N/A	31,000	46,500
Systems Analyst	34,164	N/A	33,446	N/A	41,230	35,000
Junior Systems Analyst	24,240	N/A	27,599	N/A	N/A	30,000
Applications Programming						
Manager	53,398	38,000	45,581	61,000	44,000	58,200
Lead Appl. Programmer	45,865	N/A	38,269	35,000	30,000	54,100
Senior Appl. Programmer	41,483	30,000	36,397	46,833	40,500	41,800
Application Programmer	31,882	24,500	28,493	33,000	31,740	31,300
Intermed. Appl. Programmer	24,214	N/A	26,127	24,000	30,500	24,400
Junior Appl. Programmer	22,083	25,000	22,947	28,000	23,500	26,400
Systems Analysis/Programming						
Manager	45,349	N/A	51,316	50,667	64,667	39,050
Lead Sys. Analyst/Prog.	45,480	40,247	42,430	40,333	44,885	37,925
Senior Sys. Analyst/Prog.	38,113	35,825	38,974	48,000	43,826	31,700
Systems Analyst/Prog	31,291	33,785	30,926	32,750	36,208	30,750
Intermed. Sys. Analyst/Prog	25,314	28,579	28,079	N/A	32,975	31,450
Junior Sys. Analyst/Prog.	22,120	26,843	23,620	26,500	23,038	21,533
Operating Systems Programming						
Manager	53,398	N/A	57,351	30,000	66,150	N/A
Senior Systems Prog.rammer	45,796	N/A	57,846	N/A	50,524	38,000
Intermed. Sys. Program	37,540	N/A	47,940	42,000	43,133	27,000
Junior Sys. Programmer	24,630	22,200	47,462	N/A	26,000	N/A
Database Administration						
Manager	54,996	N/A	41,649	N/A	N/A	33,625
Database Administrator	45,480	22,500	36,579	N/A	41,667	33,133
Datacom/Telecom						
Manager	45,809	N/A	46,005	N/A	37,500	42,250
Analyst	30,303	24,014	33,998	N/A	36,467	33,250
Computer Operations						
Manager	40,127	30,586	37,072	38,167	42,370	34,154
Shift Supervisor	34,228	20,739	30,827	33,500	41,529	22,500
Lead Computer Operator	24,710	24,384	24,464	23,167	29,278	21,000
Computer Operator	20,004	17,226	21,346	21,760	25,215	18,020
Magnetic Media Librarian	18,576	N/A	20,887	24,000	21,725	18,000
Production and Control						
Supervisor	37,512	25,000	29,016	N/A	24,513	N/A
Lead Production Controller	29,352	N/A	26,433	N/A	36,000	N/A
Scheduler	24,240	N/A	24,493	N/A	15,500	N/A
Control Clerk	17,384	21,767	21,127	N/A	18,025	N/A
Data Entry						
Supervisor	32,651	N/A	22,898	30,000	24,810	20,000
Operator	18,481	16,721	16,838	19,800	21,884	16,333
Office Automation						
Word Processing Supervisor	22,056	N/A	23,822	28,000	N/A	25,000
Word Processing Operator	20,776	25,000	17,930	N/A	N/A	29,000
Microcomputer User Service Specialist	21,608	24,500	25,054	N/A	35,000	20,000
Documentation						
Specialist	28,778	N/A	24,828	N/A	N/A	N/A
Consultant	24,240	N/A	48,810	40,000	61,333	56,000
PC Evaluator	27,120	N/A	32,127	N/A	31,250	N/A

Table 2
1987 Nevada Hourly Wages for Selected Categories Statewide

1987 Private Sector (Non-Services Industries)

Computer Operator	Avg. Hourly Range	$7.27-$10.80
	No. of Employees	175
	No. of Firms	69
Computer Programmer	Avg. Hourly Range	$11.77-$17.25
	No. of Employees	149
	No. of Firms	43
Typist, Word Processing	Avg. Hourly Range	$6.35-$9.28
	No. of Employees	73
	No. of Firms	22

1987 Private Sector (Service Industries)

Computer Operator	Avg. Hourly Range	$6.64-$9.12
	No. of Employees	152
	No. of Firms	58
Computer Programmer	Avg. Hourly Range	$10.15-$16.15
	No. of Employees	126
	No. of Firms	35
Typist, Word Processing	Avg. Hourly Range	$5.94-$9.27
	No. of Employees	105
	No. of Firms	20

1987 Public Sector

Computer Operator	Avg. Hourly Range	$8.17-$11.33
	No. of Employees	58
	No. of Firms	19
Computer Programmer	Avg. Hourly Range	$11.25-$15.44
	No. of Employees	51
	No. of Firms	18
Typist, Word Processing	Avg. Range	$7.16-$9.51
	No. of Employees	186
	No. of Firms	12

Source: Annual Wage and Salary Survey, Nevada Employment Security Department, 1987

Table 4
Turnover Rates in Selected Areas

Area	Actual 1986	Expected 1987
Boston	7.3	10.5
Manhattan	2.8	2.3
New York City Metro	15.6	10.7
Philadelphia	11.4	14.9
Washington/Baltimore	6.2	8.2
Atlanta	14.3	6.0
Denver	4.0	5.1
Houston	8.3	5.8
Dallas/Ft. Worth	0.4	7.5
Chicago	8.0	6.0
Minneapolis/St. Paul	7.1	4.2
Cleveland	14.7	2.9
Cincinnati/Columbus	5.6	7.8
Detroit	3.6	4.9
St. Louis	3.2	6.5
Seattle	1.3	2.5
San Francisco	9.3	5.0
Los Angeles	11.1	13.9
Total Sample	8.8	9.1

Source: *Datamation* Salary Survey, Oct. 1, 1988

Table 2 shows Nevada 1987 hourly wages for word processors, computer operators and computer programmers in various industry sectors, as compiled by the Nevada Employment Security Department. Interestingly, the 1988 *Datamation* survey found that national salaries for office automation workers, like word processors, actually fell from 1987 to 1988. The only other positions reporting falling salaries were microcomputer user services specialists and computer security directors. Nationally, computer operator and shift supervisor salaries rose by about 20 precent.

Table 3 (see page 13) gives the results of surveys conducted by the Robert Half personnel agency on the salary growth of the major functional areas of data processing departments from 1965-1987.[3]

Table 4 (above) shows turnover rates in data processing installations for 1986 and 1987 in major metropolitan areas of the United States.[4]

Finally, additional information from the Nevada study showed nearly all companies providing medical and dental benefits while about half of the companies provided optical care and a retirement plan. Approximately one-quarter of the companies paid college tuition, professional dues and conference attendance.

Notes

[1] "What Are You Worth in '88?" *Datamation*, Oct. 1, 1988, pp. 58-59.

[2] Ibid, p. 54.

[3] *Annual Salary Survey*, Robert Half Company, 1987.

[4] Turnover rate is defined as the number of people who quit a position/leave an organization voluntarily within a given year.

References

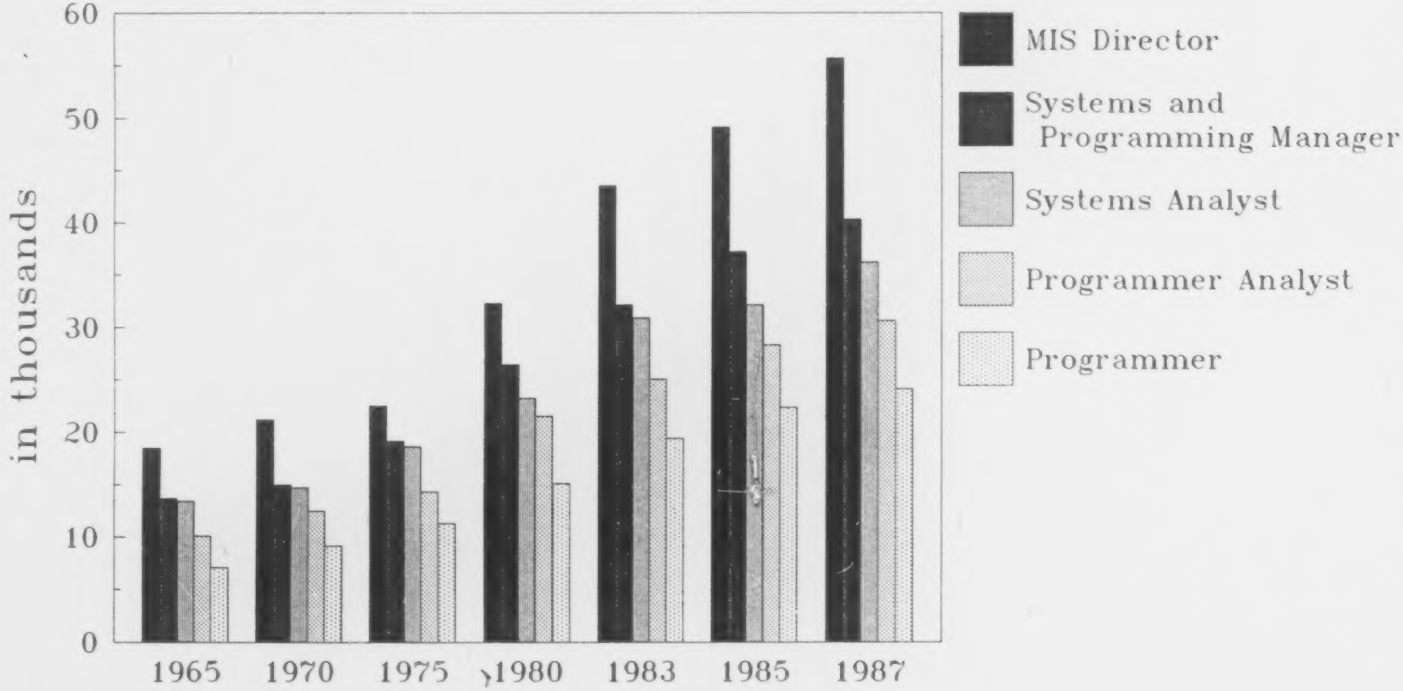
"What Are You Worth in '88?" (Annual Salary Survey) *Datamation*, Oct. 1, 1988.

Robert Half Company, *Annual Salary Survey*, 1987.

Table 3

COMPARATIVE DATA PROCESSING SALARIES

All Installations Averaged 1965–1987



Nevada Economic Indicators

Statewide Statistical Data

	January 1988	February 1988	March 1988	1st Quarter 1988	PERCENTAGE CHANGE			
					4th Quarter-1987 1st Quarter-1988		1st Quarter-1987 1st Quarter-1988	
Total Labor Force (000's)	565.2	566.8	657.8	596.6	+	4.7	+	10.4
Total Employment (000's)	524.6	529.5	537.8	530.6	-	1.6	+	5.7
Unemployment (000's)	40.6	37.3	35.2	37.7	+	7.2	-	1.7
Unemployment Rate	7.2	6.6	6.2	6.7	+	7.5	-	6.1
Seasonally Adjusted Rate	6.4	5.9	5.8	6.0	-	3.7	-	7.2
Agricultural Employment (000's)	4.2	5.6	5.6	5.1	-	1.3	+	6.9
Establishment-Based Industrial Employment								
Total All Industries (000's)	507.3	511.0	515.4	511.2	+	0.0	+	6.9
Mining	9.0	9.0	9.5	9.2	+	21.7	+	34.1
Contract Construction	28.9	29.3	30.1	29.4	-	9.2	+	8.5
Manufacturing	23.9	24.0	23.7	23.9	-	0.4	+	7.2
Transportation & Utilities								
Transportation	16.1	16.0	16.0	16.0	-	3.2	+	2.6
Railroads	0.9	0.9	0.9	0.9	-	30.8	-	25.0
Air	4.2	4.2	4.0	4.1	+	0.8	+	1.6
Public Utilities	11.7	11.7	12.0	11.8	+	2.9	+	4.7
Total Trade	103.1	103.2	103.7	103.3	-	0.6	+	7.1
Wholesale Trade	19.0	19.3	19.4	19.2	+	7.1	+	9.3
Retail Trade	84.1	83.9	84.3	84.1	-	2.2	+	6.6
Finance, Ins., & Real Estate	23.7	23.8	24.2	23.9	-	2.6	+	5.8
Service Industries	225.8	227.0	228.7	227.2	+	1.4	+	7.0
Hotels, Gaming & Recreation	138.6	140.1	241.0	173.2	+	22.2	+	32.2
Medical and Health	21.6	21.8	21.9	21.8	+	2.0	+	4.0
Total Government	65.1	67.0	67.5	66.5	+	0.3	+	4.8
Federal	11.2	11.2	11.3	11.2	-	1.7	+	3.4
State and Local	53.9	55.8	56.2	55.3	+	0.3	+	5.1
Education	24.4	25.9	26.4	25.6	-	0.9	+	5.8
Average Weekly Earnings in Selected Industries								
Mining	636.50	603.80	626.30	622.20	-	2.1	+	4.6
Construction	582.00	571.40	554.20	569.20	-	2.5	-	3.1
Manufacturing	388.10	384.20	395.80	389.40	-	1.8	-	0.2
Public Utilities	588.70	567.20	575.40	577.10	+	0.3	+	1.3
Trade	305.90	296.40	302.80	301.70	+	0.8	+	2.0
Average Weekly Hours in Selected Industries								
Mining	43.5	42.7	43.4	43.2	+	0.2	+	2.5
Construction	36.4	34.8	34.7	35.3	-	2.3	-	1.1
Manufacturing	39.6	39.9	39.9	39.8	-	1.6	-	1.6
Public Utilities	40.8	40.4	40.1	40.4	+	1.0	-	2.4
Trade	34.1	33.6	34.1	33.9	+	0.0	+	0.6
Average Hourly Earnings in Selected Industries								
Mining	14.60	14.10	14.40	14.40	-	2.4	+	2.0
Construction	16.00	16.40	16.00	16.10	-	0.2	-	2.0
Manufacturing	9.80	9.60	9.90	9.80	-	0.1	+	1.5
Public Utilities	14.40	14.00	14.30	14.30	-	0.6	+	3.6
Trade	9.00	8.80	8.90	8.90	+	0.8	+	1.4
Construction Activity								
Residential ($000's)	76,200	72,100	104,300	252,600	-	9.7	+	0.6
Nonresidential ($000's)	22,500	34,100	62,300	118,900	-	37.1	-	10.2
Nonbuilding ($000's)	24,500	6,600	23,800	54,900	+	6.4	+	51.7
Total ($000's)	123,200	112,700	190,500	426,400	-	18.1	+	1.6
# of New Dwelling Units	1,553	1,199	1,397	4,149	+	20.4	-	4.3
Tax Collections								
Liquor	1,235,359	1,106,240	957,961	3,299,560	-	12.2	+	6.0
Cigarette	2,508,735	1,960,967	2,102,713	6,572,415	-	6.8	+	35.1
Fuel	5,270,064	5,148,797	5,705,111	16,123,972	-	1.5	+	45.9
Quarterly Taxable Sales ($000's)				2,601,572	-	5.9	+	25.6
Quarterly Gaming Revenues ($000's)				1,035,322	+	9.0	+	8.2
Highway Traffic Flow								
17 Selected Stations (Avg. Daily)	120,210	134,062	147,193	133,821	-	3.2	+	22.2

Las Vegas Metropolitan Statistical Area

					PERCENTAGE CHANGE	
	January 1988	February 1988	March 1988	1st Quarter 1988	4th Quarter-1987 1st Quarter-1988	1st Quarter-1987 1st Quarter-1988
Total Labor Force (000's)	329.6	331.0	331.9	330.8	- 0.7	+ 5.0
Total Employment (000's)	307.1	309.4	310.7	309.1	- 0.8	+ 5.3
Unemployment (000's)	22.5	21.6	21.2	21.8	+ 2.0	+ 0.3
Unemployment Rate	6.8	6.5	6.4	6.6	+ 2.1	- 4.8
Seasonally Adjusted Rate	6.5	6.3	6.3	6.4	+ 0.0	- 4.5
Agricultural Employment (000's)	1.0	1.4	1.4	1.3	+ 0.0	+ 5.6
Establishment-Based Industrial Employment						
Total All Industries (000's)	295.0	292.9	295.0	294.3	+ 0.3	+ 7.1
Mining	0.3	0.3	0.3	0.3	+ 0.0	+ 0.0
Contract Construction	18.8	18.5	18.8	18.7	- 3.4	+ 8.3
Manufacturing	8.8	8.9	8.8	8.8	+ 0.0	+ 6.9
Transportation & Utilities						
Transportation	9.4	9.4	9.4	9.4	- 4.7	+ 1.8
Railroads	0.3	0.3	0.3	0.3	- 25.0	- 25.0
Air	2.8	3.0	2.8	2.9	- 5.5	- 3.4
Public Utilities	6.4	6.2	6.4	6.3	+ 2.7	+ 7.3
Total Trade	61.7	61.5	61.7	61.6	+ 2.0	+ 7.1
Wholesale Trade	10.3	10.4	10.3	10.3	+ 4.4	+ 7.3
Retail Trade	51.4	51.1	51.4	51.3	+ 1.6	+ 7.1
Finance, Ins., & Real Estate	15.0	14.7	15.0	14.9	+ 0.7	+ 9.8
Service Industries	139.9	139.2	139.9	139.7	- 0.1	+ 7.1
Hotels, Gaming and Recreation	91.0	90.8	91.0	90.9	- 1.7	+ 6.4
Total Government	34.7	34.2	34.7	34.5	+ 2.3	+ 7.0
Federal	6.5	6.4	6.5	6.5	+ 0.0	+ 7.8
State and Local	28.2	27.8	28.2	28.1	+ 2.8	+ 6.9
Education	14.0	13.5	14.0	13.8	+ 3.7	+ 8.9
Construction Activity						
Las Vegas						
Residential ($000's)	11,066	29,843	35,873	76,782	+ 126.6	+ 77.3
Nonresidential ($000's)	6,414	16,356	14,525	37,295	+ 1.7	+ 123.7
Total Value ($000's)	17,480	46,199	50,398	114,077	+ 61.7	+ 72.9
# of New Family Units	97	266	315	678	+ 16.7	+ 15.5
North Las Vegas						
Residential ($000's)	0	6,440	82	6,522	+ 645.4	+ 211.2
Nonresidential ($000's)	1,129	504	1,462	3,095	+ 40.4	+ 12.8
Total Value ($000's)	1,129	6,944	1,545	9,618	+ 408.9	+ 98.8
# of Permits	45	59	58	162	+ 19.1	- 10.5
Quarterly Taxable Sales ($000's)				1,439,982	- 6.9	+ 13.0
Quarterly Gaming Revenues ($000's)				746,344	+ 10.6	+ 7.2
Air Transportation-McCarran						
Passengers (Arrivals/Departures)	1,116,983	1,225,974	1,379,401	3,722,358	+ 3.4	+ 2.9
Cargo Enplaned (lbs.)	3,037,262	2,951,129	3,084,773	9,073,164	+ 10.1	+ 40.7
Cargo Deplaned (lbs.)	3,695,569	3,501,640	3,827,046	11,024,255	+ 3.3	+ 32.6
Highway Traffic Flow						
4 Selected Stations (Avg. Daily)	34,877	36,153	38,422	36,484	+ 0.6	+ 7.0
Room Tax ($)						
Clark County	2,305,395	1,521,517	2,167,793	5,994,705	- 12.1	+ 5.6
Las Vegas City	422,367	310,742	384,670	1,117,779	- 5.8	+ 22.4
MSA Total	2,755,733	1,851,821	2,578,771	7,186,325	- 11.1	+ 8.1

Reno Metropolitan Statistical Area

	January 1988	February 1988	March 1988	1st Quarter 1988	PERCENTAGE CHANGE 4th Quarter-1987 1st Quarter-1988	PERCENTAGE CHANGE 1st Quarter-1987 1st Quarter-1988
Total Labor Force (000's)	139.5	139.3	139.2	139.3	- 0.2	+ 3.6
Total Employment (000's)	129.4	130.5	131.2	130.4	- 1.1	+ 4.1
Unemployment (000's)	10.1	8.8	8.0	9.0	+ 14.5	- 3.2
Unemployment Rate	7.2	6.3	5.8	6.4	+ 14.9	- 6.8
Unemployment Rate (Seasonally Adjusted)	5.9	5.2	5.2	5.4	- 4.1	- 7.4
Agricultural Employment (000's)	0.6	0.8	0.7	0.7	+ 5.0	+ 10.5
Establishment-Based Industrial Employment						
Total All Industries (000's)	132.7	133.7	134.9	133.8	- 0.5	+ 6.1
Mining	0.9	0.9	0.9	0.9	+ 12.5	+ 12.5
Contract Construction	6.5	6.7	7.0	6.7	- 15.8	+ 4.1
Manufacturing	8.2	8.2	8.2	8.2	- 2.0	- 2.4
Transportation & Utilities						
Transportation	4.9	5.0	5.0	5.0	+ 0.7	+ 3.5
Railroads	0.3	0.3	0.3	0.3	- 25.0	- 18.2
Public Utilities	4.3	4.2	4.2	4.2	+ 4.1	+ 4.1
Total Trade	30.1	29.9	30.2	30.1	- 2.7	+ 7.4
Wholesale Trade	7.5	7.4	7.6	7.5	+ 13.6	+ 11.4
Retail Trade	22.6	22.5	22.6	22.6	- 7.1	+ 6.1
Finance, Ins., & Real Estate	6.8	6.7	6.8	6.8	- 6.0	- 1.9
Service Industries	54.7	55.1	55.7	55.2	+ 3.4	+ 9.0
Hotels, Gaming & Recreation	30.7	30.9	31.3	31.0	+ 1.0	+ 9.6
Total Government	16.3	17.0	16.9	16.7	- 0.6	+ 4.1
Federal	3.0	3.0	3.0	3.0	- 1.1	+ 5.9
State and Local	13.3	14.0	13.9	13.7	- 0.5	+ 3.8
Education	7.2	7.8	7.8	7.6	- 3.4	+ 2.2
Construction Activity						
Reno						
Residential ($000's)	2,494	2,758	15,588	20,840	- 0.8	+ 9.4
Nonresidential ($000's)	1,886	8,687	8,532	19,105	+ 150.4	- 46.2
Total Value ($000's)	4,380	11,445	24,120	39,945	+ 39.5	- 26.8
# of New Family Units	41	35	294	370	+ 3.6	+ 10.1
Sparks						
Residential ($000's)	922	837	3,093	4,852	+ 35.8	- 6.3
Nonresidential ($000's)	1,496	1,165	3,232	5,893	- 31.1	- 42.6
Total ($000's)	2,418	2,002	6,325	10,745	+ 4.0	- 29.1
# of New Family Units	16	7	72	95	- 17.4	+ 0.0
Washoe County (Unincorporated)						
Residential ($000's)	2,681	5,472	4,374	12,527	+ 15.0	+ 34.3
Nonresidential ($000's)	493	302	1,139	1,934	- 65.8	- 75.6
Total Value ($000's)	3,174	5,774	5,513	14,461	- 11.2	- 16.1
# of New Family Units	32	71	50	153	+ 39.1	+ 18.6
Quarterly Taxable Sales ($000's)				560,160	- 7.7	+ 14.9
Quarterly Gaming Revenues ($000's)				166,485	- 1.4	+ 7.5
Air Transportation-Reno						
Passengers (Arr. & Depart.)	247,414	284,440	306,183	838,037	+ 6.5	- 6.0
Cargo Enplaned (lbs.)	551,392	446,376	484,735	1,482,503	- 30.8	- 4.8
Cargo Deplaned (lbs.)	817,259	564,798	645,986	2,028,043	- 32.2	- 3.4
Highway Traffic Flow						
7 Selected Stations (Avg. Daily)	72,581	83,615	88,314	81,503	- 4.5	+ 29.9
Room Tax ($)						
MSA Total	870,775	723,883	1,034,429	2,629,087	- 3.0	+ 23.4

Nevada Statistical Data by County

					PERCENTAGE CHANGE	
	January 1988	February 1988	March 1988	1st Quarter 1988	4th Quarter-1987 1st Quarter-1988	1st Quarter-1987 1st Quarter-1988
CARSON CITY						
Total Labor Force	22,230	21,830	21,840	21,966	+ 3.7	+ 4.9
Total Employment	20,270	20,270	20,470	20,336	+ 2.6	+ 5.2
Unemployment	1,960	1,560	1,370	1,630	+ 19.6	+ 1.2
Unemployment Rate	8.8	7.1	6.3	7.4	+ 15.0	- 3.9
Construction Activity						
Residential Value ($000	812	1,497	2,863	5,172	- 15.8	- 34.0
Nonresidential Value ($	4,238	231	5,169	9,638	+ 36.7	+ 75.1
Total Value ($000's)	5,050	1,728	8,032	14,810	+ 12.3	+ 32.2
# of New Family Units	8	20	32	60	- 21.1	- 57.7
Quarterly Taxable Sales ($000's)				80,877	- 41.6	+ 16.1
Quarterly Gaming Revenues ($000's)				7,382	- 12.4	+ 2.6
CHURCHILL						
Total Labor Force	7,460	7,480	7,340	7,426	+ 6.1	+ 0.7
Total Employment	6,660	6,740	6,770	6,723	+ 4.3	+ 1.9
Unemployment	800	740	570	703	+ 27.9	- 9.4
Unemployment Rate	10.7	9.9	7.8	9.5	+ 19.8	- 10.1
Construction Activity						
Residential Value ($000's)	330	152	668	1,150	+ 15.1	+ 26.5
Nonresidential Value ($000's)	0	14	51	65	- 75.8	75.8
Total Value ($000's)	330	1,662	719	2,711	+ 113.8	+ 198.2
# of New Family Units	5	2	9	16	+ 45.5	+ 60.0
Quarterly Taxable Sales ($000's)				29,083	- 40.4	+ 54.0
DOUGLAS						
Total Labor Force	12,410	12,460	12,400	12,423	- 6.9	+ 1.2
Total Employment	11,410	11,650	11,730	11,596	- 7.7	+ 2.4
Unemployment	1,000	810	670	826	+ 6.0	- 12.4
Unemployment Rate	8.0	6.5	5.4	6.6	+ 13.1	- 13.5
Quarterly Taxable Sales ($000's)				59,157.0	+ 7.9	+ 13.7
Quarterly Gaming Revenues ($000's)				82,421.0	+ 26.9	+ 17.9
ELKO						
Total Labor Force	12,800	12,940	12,950	12,896	- 3.6	+ 5.9
Total Employment	11,790	11,930	12,130	11,950	- 5.3	+ 7.6
Unemployment	1,010	1,010	820	946	+ 23.5	- 11.0
Unemployment Rate	7.9	7.8	6.4	7.4	+ 28.5	- 15.6
Construction Activity/Elko City						
Residential ($000's)	0	60	379	439	- 92.8	- 4.8
Nonresidential ($000's)	337	67	466	870	+ 129.6	+ 183.4
Total Value ($000's)	337	127	845	1,309	- 79.9	+ 70.4
# of New Dwelling Units	7	10	22	39	+ 69.6	+ 8.3
Quarterly Taxable Sales ($000's)				68,404	- 12.8	+ 53.8
ESMERALDA						
Total Labor Force	800	840	860	833	+ 83.8	+ 24.4
Total Employment	750	790	810	783	+ 89.5	+ 26.3
Unemployment	50	50	50	50	+ 25.0	+ 0.0
Unemployment Rate	5.9	6.4	6.2	6.2	- 30.7	- 16.3
Quarterly Taxable Sales ($000's)				1,493.0	- 36.1	- 20.2
EUREKA						
Total Labor Force	2,050	2,230	2,370	2,216	+ 53.9	+ 73.6
Total Employment	1,970	2,170	2,300	2,146	+ 53.7	+ 73.6
Unemployment	80	60	70	70	+ 61.5	+ 75.0
Unemployment Rate	3.7	2.8	2.8	3.1	+ 6.9	- 2.1
Quarterly Taxable Sales ($000's)				10,727	- 23.0	+ 137.1

Nevada Statistical Data by County (Continued)

	January 1988	February 1988	March 1988	1st Quarter 1988	PERCENTAGE CHANGE 4th Quarter-1987 1st Quarter-1988	PERCENTAGE CHANGE 1st Quarter-1987 1st Quarter-1988
HUMBOLDT						
Total Labor Force	5,340	5,430	5,500	5,423	+ 0.9	+ 8.3
Total Employment	4,940	5,070	5,160	5,056	- 0.1	+ 11.2
Unemployment	400	360	340	366	+ 18.3	- 20.3
Unemployment Rate	7.5	6.6	6.1	6.7	+ 17.4	- 17.9
Quarterly Taxable Sales ($000's)				40,354	+ 7.9	+ 46.5
LANDER						
Total Labor Force	2,340	2,350	2,410	2,366	+ 5.2	+ 11.5
Total Employment	2,160	2,180	2,220	2,186	+ 3.6	+ 12.9
Unemployment	180	170	190	180	+ 28.6	- 3.6
Unemployment Rate	7.7	7.3	8.0	7.7	+ 25.7	- 11.9
Quarterly Taxable Sales ($000's)				13,508	- 21.0	+ 42.3
LINCOLN						
Total Labor Force	2,110	2,100	2,080	2,096	+ 8.1	- 1.1
Total Employment	1,970	1,970	1,970	1,970	+ 8.4	- 0.7
Unemployment	140	130	110	126	+ 2.7	- 7.3
Unemployment Rate	6.5	6.1	5.2	5.9	- 11.9	- 8.7
Quarterly Taxable Sales ($000's)				1,797	- 15.0	- 4.6
LYON						
Total Labor Force	10,560	10,610	10,560	10,576	- 17.3	+ 8.6
Total Employment	9,530	9,790	9,830	9,716	- 19.0	+ 9.8
Unemployment	1,030	820	730	860	+ 8.4	- 3.7
Unemployment Rate	9.7	7.7	6.9	8.1	+ 31.4	- 11.3
Quarterly Taxable Sales ($000's)				17,253	+ 2.7	+ 6.5
MINERAL						
Total Labor Force	2,980	2,920	2,960	2,953	- 13.2	- 0.9
Total Employment	2,790	2,760	2,800	2,783	- 12.8	+ 0.7
Unemployment	190	160	160	170	- 19.0	- 21.5
Unemployment Rate	6.5	5.6	5.4	5.8	- 5.9	- 19.7
Quarterly Taxable Sales ($000's)				8,373	- 13.6	+ 19.0
NYE						
Total Labor Force	7,680	7,880	7,930	7,830	+ 13.1	+ 8.5
Total Employment	7,210	7,490	7,540	7,413	+ 14.1	+ 8.9
Unemployment	470	390	390	416	- 2.3	+ 2.5
Unemployment Rate	6.1	5.0	5.0	5.4	- 13.9	- 4.7
Quarterly Taxable Sales ($000's)				50,972	+ 36.8	+ 32.8
PERSHING						
Total Labor Force	2,270	2,290	2,310	2,290	- 5.1	+ 7.7
Total Employment	2,130	2,170	2,190	2,163	- 6.3	+ 7.3
Unemployment	140	120	120	126	+ 22.6	+ 15.2
Unemployment Rate	6.2	5.3	5.0	5.5	+ 25.0	+ 5.8
Quarterly Taxable Sales ($000's)				8,871	+ 8.5	+ 36.8
STOREY						
Total Labor Force	940	930	960	943	- 3.7	+ 15.5
Total Employment	860	850	880	863	- 5.5	+ 15.1
Unemployment	80	80	80	80	+ 20.0	+ 20.0
Unemployment Rate	8.3	8.7	8.7	8.6	+ 22.4	+ 6.2
Quarterly Taxable Sales ($000's)				4,196	+ 31.1	+ 57.5
WHITE PINE						
Total Labor Force	4,210	4,210	4,200	4,206	- 0.7	+ 11.5
Total Employment	3,730	3,800	3,860	3,796	- 4.4	+ 13.6
Unemployment	480	410	340	410	+ 53.8	- 6.1
Unemployment Rate	11.4	9.8	8.1	9.8	+ 55.0	- 15.1
Quarterly Taxable Sales ($000's)				11,834	- 16.5	+ 22.7

Selected U.S. Economic Indicators

Consumer Price Index & Indexes of Selected Categories
All Urban Consumers
(1967 = 100%)

	January 1988	February 1988	March 1988	1st Quarter 1988	PERCENTAGE CHANGE 4th Quarter-1987 1st Quarter-1988	PERCENTAGE CHANGE 1st Quarter-1987 1st Quarter-1988
All Items	115.7	116.0	116.5	116.1	+ 0.6	+ 4.0
Food	115.7	115.7	115.9	115.8	+ 1.2	+ 3.0
Housing	116.2	116.6	117.0	116.6	+ 0.9	+ 3.7
Apparel and Upkeep	110.4	110.2	114.3	111.6	- 2.5	+ 4.2
Transportation	107.1	106.8	106.5	106.8	- 0.7	+ 3.7
Medical Care	134.4	135.5	136.3	135.4	+ 2.0	+ 6.3

Producer Price Indexes for Selected Commodity Groupings
(1967 = 100%)

	January 1988	February 1988	March 1988	1st Quarter 1988	PERCENTAGE CHANGE 4th Quarter-1987 1st Quarter-1988	PERCENTAGE CHANGE 1st Quarter-1987 1st Quarter-1988
All Commodities	104.6	104.8	104.9	104.8	+ 0.6	+ 3.8
Fuel And Power	67.2	66.7	65.9	66.6	- 5.5	- 1.5
Machinery And Equipment	111.9	112.2	112.3	112.1	+ 0.9	+ 2.0
Metals And Metal Products	114.4	114.7	115.1	114.7	+ 2.7	+ 10.5
Nonmetallic Mineral Products	110.8	110.9	111.0	110.9	+ 0.3	+ 1.2
Textile Products & Apparel	107.6	108.1	108.4	108.0	+ 1.3	+ 4.1

U.S. Labor Force

	January 1988	February 1988	March 1988	1st Quarter 1988	PERCENTAGE CHANGE 4th Quarter-1987 1st Quarter-1988	PERCENTAGE CHANGE 1st Quarter-1987 1st Quarter-1988
Civilian Labor Force (000's)	121,175	121,348	120,903	121,142	+ 0.5	+ 2.7
Total Employment (000's)	114,129	114,409	114,103	114,213	+ 0.6	+ 4.2
Unemployment (000's)	7,046	6,938	6,081	6,688	- 5.6	- 20.5
Unemployment Rate	5.8	5.7	5.0	5.5	- 6.3	- 22.9
Unemployment Rate Seasonally Adjusted	5.8	5.7	5.4	5.6	- 4.5	- 15.5

DATA SOURCES

Information for statistical tables was developed in cooperation with the following sources:
Airport Authority of Washoe County; Carson City Department of Public Works; Churchill County; City of Elko; City of Las Vegas, Nevada Building and Safety; City of North Las Vegas; City of Reno, Building and Safety Department; City of Sparks; Clark County Department of Aviation; Las Vegas Convention/Visitors Authority; Nevada Power Co.; Reno-Sparks Convention/Visitors Authority; State of Nevada Department of Taxation; State of Nevada Department of Transportation; State of Nevada Employment Security Department; State of Nevada Gaming Control Board; U.S. Department of Commerce, Bureau of Labor Statistics; Washoe County Building and Safety Division; White Pine County Regional Planning Commission.

The State of Nevada Commission on Economic Development is providing financial support for the publication of the *Nevada Review of Business & Economics*. Of special interest to the Commission are the Nevada Economic Indicators and articles on economic development within Nevada. The Bureau of Business & Economic Research gratefully acknowledges this support. Opinions expressed in the *Review* are those of the authors and not necessarily those of the Commission on Economic Development.

University of Nevada-Reno
Nevada Review of
BUSINESS & ECONOMICS
Bureau of Business and Economic Research
College of Business Administration
Reno, Nevada 89557-0016

Nonprofit Org.
U.S. Postage
PAID
Reno, Nevada
Permit No. 26